This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

+ *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.

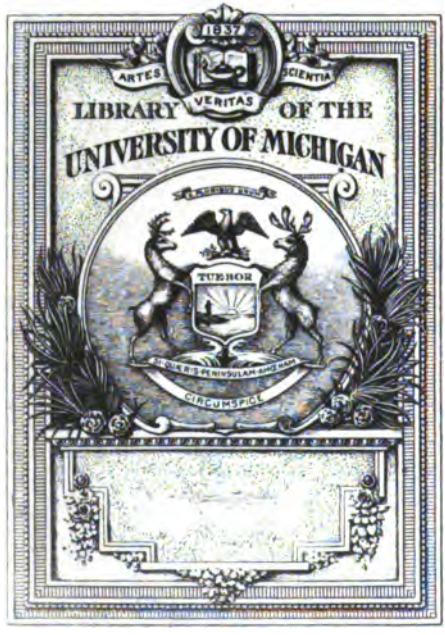
+ *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.

+ *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.

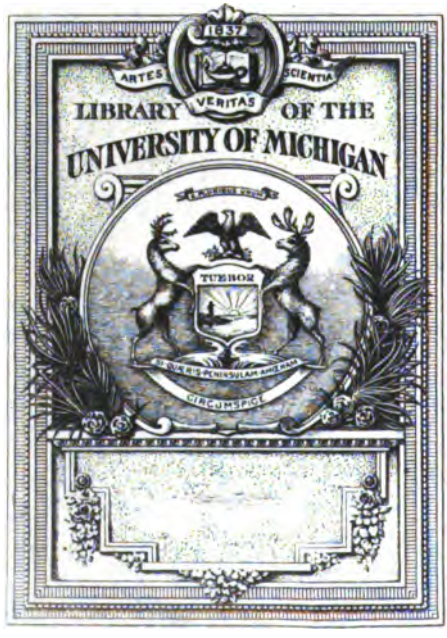
+ *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at `http://books.google.com/`


1837
ARTES
SCIENTIA
VERITAS
LIBRARY OF THE
UNIVERSITY OF MICHIGAN
TUEBOR
CIRCUMSPICE

HF
2096
.R65


ARTES
SCIENTIA
VERITAS
LIBRARY OF THE
UNIVERSITY OF MICHIGAN
TUEBOR
SI QUAERIS PENINSULAM AMOENAM
CIRCUMSPICE

HF
2096
.R65

3/6 mt

TRADE AND TARIFFS

AGENTS

AMERICA . . . THE MACMILLAN COMPANY
64 & 66 FIFTH AVENUE, NEW YORK

AUSTRALASIA . THE OXFORD UNIVERSITY PRESS, MELBOURNE

CANADA . . . THE MACMILLAN COMPANY OF CANADA, LTD.
27 RICHMOND STREET WEST, TORONTO

INDIA . . . . MACMILLAN & COMPANY, LTD.
MACMILLAN BUILDING, BOMBAY
309 BOW BAZAAR STREET, CALCUTTA

TRADE AND TARIFFS

BY

JOHN M. ROBERTSON, M.P.

LONDON
ADAM AND CHARLES BLACK
1908

Econ. Hist.
Harding
3-22-28
16489

5-9-28 Done

PREFACE

THE present work is an elaboration of a slight sketch published, under another title, in 1904. The object of that attempt, as of this, was to deal with the fiscal problem under all of its various aspects—historical, statistical, economic, political, social, and ethical. Incomplete the book inevitably remains, under all of these heads; but it may at least indicate to the general reader a number of facts and considerations of which the propaganda of "tariff reform" either takes no account or gives no account that is trustworthy.

It is perhaps unnecessary to say that such an attempt implies no failure to appreciate the many treatises and handbooks on free trade already available. On the contrary, the author would take this opportunity to urge upon every reader to peruse in particular the admirable *Handbook to the Tariff Question* published by the Free Trade Union; and to express his own indebtedness not only to that but to the many books and special pamphlets upon which his notes show him to have drawn for information.

In an inquiry covering so much statistical ground it is practically impossible to escape error; and the author can but plead that he has taken as much pains over the whole matter as the scanty leisures of parliamentary and platform life permit of.

At the time of writing these lines, the record of falling trade is being exulted over by the party of "tariff reform." It may not be useless to remind the reader that from all the protectionist manufacturing countries there come similar reports. In July the German iron industry is reported as markedly depressed, and the building trade as remaining so; and general "decline of industrial prosperity" is noted as affecting the Bourse. In France, the export trade in textiles is reported "practically at a standstill"; and tens of thousands of the workers are unemployed.

After much reasoning on the assumption that large imports spell ruin, some tariffists have of late taken to complaining that protectionist countries are increasing their imports faster than we. It is another instance of the percentages fallacy. But in this connection, too, it may be noted that for the first seven months of the present year the fall in imports in the United States is immensely greater than in Britain.

August 1908.

CONTENTS

PART I

THE PRESENT PROTECTIONIST MOVEMENT

CHAP.		PAGE
1.	The Conflict of Protectionist Doctrines	1
2.	The Consensus of Protectionist States	6
3.	The Contrasted Theories	9

PART II

THE HISTORICAL EVOLUTION

4.	The Tradition of Interference with Trade	14
	§ 1. Medieval Customs Duties	14
	§ 2. Navigation Laws	23
	§ 3. Bullion Laws and Others	30
5.	Monopoly and Protection in British History	34
	§ 1. Early Protectionism	34
	§ 2. Early Monopolies	40
	§ 3. The Woollen Trade	42
	§ 4. The Silk Trade	45
	§ 5. The Scramble of Interests	49
	§ 6. Early Corn Laws	50
	§ 7. Fishing Bounties	52

CHAP. PAGE

§ 8. English and Irish Trade 52
§ 9. English and Colonial Trade 58
§ 10. Smuggling 61
§ 11. Early Pleas for Free Trade 65
§ 12. Summary 68

6. Distress and Unemployment under Protection . 71
7. How Free Trade has been won 91
8. Free Trade Doctrine in Other Countries . . 99

PART III

THE SUCCESS OF FREE TRADE

9. Free Trade in Holland 109
10. Free Trade in Britain 118
§ 1. The Cheapening of Food 118
§ 2. Trade Expansion in the Eighteenth Century . 122
§ 3. The Reforms of Huskisson and Sydenham . 126
§ 4. The Legend of "Supremacy" under Protection. 130
§ 5. Before and after Free Trade 135
§ 6. British *versus* American Shipping . . . 139
§ 7. Expansion in Export Trade 153
11. Free Trade in New South Wales . . . 159

PART IV

THE MODERN FAILURE OF PROTECTIONISM

12. The General Failure 163
13. Unemployment and Emigration 174
14. Wages and Cost of Living 188

PART V

THE PROTECTIONIST CASE

CHAP. PAGE
15. Protectionist Hallucinations 206
16. The Argument for Retaliation 215
17. The Argument from "Dumping" 227
18. The Argument from Unemployment . . . 239
19. The Argument for Revenue 249
20. The Argument for Colonial Preference . . 254
21. The Effects of Protection on Food Prices . . 261
22. Protection is Parasitism 269
23. The Final Futility of Protection . . . 276

PART VI

THE ETHICAL PROBLEM

24. Political Ethics under Protection . . . 288
25. The Ethics of the Corn Laws 299
26. Trade Unionism and Protection 310

APPENDIX. Protectionist Fables 313

INDEX 323

TRADE AND TARIFFS

PART I

THE PRESENT PROTECTIONIST MOVEMENT

CHAPTER I

THE CONFLICT OF PROTECTIONIST DOCTRINES

WHEN Mr. Chamberlain in 1903 began the campaign against free imports, the gist of his argument was that the slowness of the expansion of British exports of manufactured goods in modern times proved the unsoundness of the present fiscal system; that a quickening of the expansion could be caused only by a resort to a preferential tariff; and that such quickening would tend to cure the evil of unemployment. The export figures for the year 1902, which Mr. Chamberlain had before him, were:—Goods wholly or mainly manufactured in the United Kingdom, £226,887,268; Miscellaneous and Unclassified (presumably bric-à-brac, manufactures, and books), £4,170,830; other produce, £55,886,939. For the year 1906 the figures stand:—Manufactures exported, £305,528,196; Miscellaneous and Unclassified, £5,664,192; other produce, £64,328,950. For 1907 the further increase in the first item was £36,645,655. In 1902 the excess of exports over imports in manufactured goods was 113 millions.

In 1906 it was 178 millions. And these increases had been continuous. Now, it cannot be doubted that if this unprecedented increase of exports had occurred under a protective tariff, it would have been hailed by the protectionist party as a splendid proof of the efficacy of their system. As it is, they admit, what they cannot dispute, the greatness of the expansion. Yet they continue to indict the system of free imports on the score that, despite the increase, there is a considerable amount of unemployment.

Obviously, this very fact is the decisive refutation of their own primary pleas. They had said that free trade was fatal to expansion: the vast expansion has occurred under free trade. They had explicitly committed themselves to the doctrine that increase in the export of manufactured goods is the measure of industrial prosperity, and is the remedy of unemployment. The defenders of free trade, on the other hand, expressly denied both propositions, pointing out that a good export trade was compatible with lack of employment in the great building trade—to name no other. Thus it is precisely the protectionists' case that is discredited by the continuance of unemployment in 1907. That fact has disproved one of their initial assertions.

Indeed, the widespread distress from unemployment in the United States and Germany in the past winter has compelled protectionist speakers in the House of Commons to disavow the pretence that a policy of tariffs precludes unemployment. Mr. Austen Chamberlain and Mr. Walter Long have confessed as much. Nonetheless, the false pretence continues to do duty on Tariff Reform platforms, placards, pamphlets, and journals; the majority of protectionists being wholly confused as to the bearing of their doctrine in this connection. In the same way, they emit contrary declarations as to the main object of their movement. One set of propagandists declare that it is to broaden the basis of taxation and increase revenue for imperial purposes,[1] or for social purposes such as Old Age Pensions. Another set assert that it is to increase employment, revenue being only a secondary consideration.[2]

[1] So Mr. Balfour in 1908.

[2] So Mr. Samuel Storey in 1908.

Still more explicit contradictions marked the evolution of Mr. Chamberlain's policy, rapid as that evolution was. His first pronouncement was for simple Colonial Preference, with a tax on food, by way of "holding the Empire together." Soon, in view of the general opposition, he saw fit to propose protective duties on manufactured imports as well as on food; and when popular resentment of the latter form of burden became still more clamant, he proceeded to explain that what was laid upon some forms of food was to be taken off others, such as tobacco. Thus there was positively to be a lightening of the tax on a product of our commercial rival, the United States, imperfectly supplied by any of our colonies; and the plea for an "instrument of negotiation" was abandoned in that connection. As regarded the beneficial effects of Protection, we were informed in consecutive speeches that it has raised foreign wages, and that the lack of it leaves us open to the invasion of the products of sweated labour—that is, the labour of protectionist countries. Concerning dumping we are similarly assured that it tends to be constant on our shores for lack of a tariff, and that it is an expedient resorted to by our rivals only in times of depression. Depression in protectionist countries, then, is by implication chronic, if not constant.

Nor is this all. That there is complete confusion as to first principles in the present assault upon free trade in this country may be at once seen by any one who will closely compare the positions of Mr. Balfour and Mr. Chamberlain. The former professes to think that universal free trade would be the best order for the world; and he avows his belief that the policy of protectionist countries is "doubtless costly to them," though also injurious to us.[1] Mr. Chamberlain, on the contrary (though he also says "I am a Free Trader"), professes to feel that the consensus of most nations in the policy of Protection raises a presumption that theirs is the right course; and he further proposes as his ideal a system of exclusively imperial trade, in which Protection is an

[1] *Economic Notes on Insular Free Trade*, pp. 23, 14. Mr. Balfour, it is true, speaks elsewhere (p. 17) in a contrary sense, but such self-contradiction is a constant feature in protectionist propaganda.

essential element. On the question of the advantages of Protection he is reported as thus speaking at Greenock on October 7, 1903:—

We are a great people; but, after all, I have never been able to believe all the wisdom in the world was absolutely domiciled in this country. (Laughter and cheers.) I have a certain respect for our American cousins. (Cheers.) I have an idea that if you wish to deal in the most friendly spirit you had better not shut your eyes. I have some considerable respect for the German people. I recognise that they have been, and still are, the most scientifically educated people on the face of the globe. I have the same respect and friendship towards[1] our neighbours, the French. I think they have done immense service to knowledge and civilisation in our past history. I do not believe that all these people are fools, and when I find that they absolutely refuse to adopt the Cobdenic principle and to accept Free Trade as the model and example which it was represented to be, I say to myself, "It is worth thinking over. I have perhaps been wrong to be so certain as I was of the wisdom of our policy." But that alone would not have moved me. If in spite of my respect for Americans, French, and Germans, I found the facts were against me; if I had found that they were being ruined because they had adopted Protection, and that we were progressing enormously because we had adopted Free Trade, then I should have stuck to Free Trade in spite of the majority being against me. (Cheers.) But now what has been the policy of these other nations? It has been not a haphazard policy, but a policy deliberately adopted and deliberately pursued. It is a policy to use tariffs to increase home trade, and, if you like, to exclude foreign trade. All these nations to which I referred, and every other civilised nation on the face of the earth, have adopted a tariff with the object of keeping the home market for the home population—(cheers)—and not for any want of friendship to us. I do not believe they have been in the slightest degree actuated by ill-feeling towards Great Britain; but because they thought it was necessary for their own security and prosperity they have done everything in their power to shut out British goods. They have passed tariff after tariff. They began with perhaps a low tariff, and they continued it as long as it was successful. If they found it ceased to do what it was wanted to do they increased it, and what it was wanted to do was to exclude foreign manu-

[1] "I have a great regard for," in reprint of speeches, p. 48.

factures, and, above all, to exclude manufactures of this country, which at one time held the supremacy of trade in the world, and which was the greatest centre of industry in any part of it. Now that was a deliberate policy. *Has it succeeded?* ("Yes.") *It has, whether it was right or wrong.*[1]

I do not remember that Mr. Chamberlain professed to have any of this respect for foreign opinion during the period 1899-1902, when that opinion, in Europe, was somewhat markedly hostile to his policy and his character. He then credited foreigners neither with a dispassionate attitude towards Great Britain nor with a large share of good sense. Now he implies that his own countrymen are the only people in the world foolish enough to pursue a policy which injures them. But the main issue is that of the logic of free trade and of protectionism; and the first datum, as we have seen, is that what is ostensibly the joint policy of two leaders is advocated by them respectively for reasons which destroy each other. If either of the two positions under notice is right, the other is wrong. Yet the protectionist movement is being furthered by the concurrent use of both doctrines, and many protectionists appear to harbour both: even as Mr. Chamberlain has alternately asserted that free trade would be good for all, and that Protection is a source of prosperity. The quasi-scientific protectionist positions, that for strictly social reasons a given community *ought* to support new or other industries at a sacrifice, and that agriculture should be protected for military reasons, are not avowedly held by any of our leading protectionists to-day, Mr. Chamberlain's abandoned doctrine of sacrifice having been put on merely sentimental grounds.

[1] Vol. of speeches on *Imperial Union and Tariff Reform*, 1903, pp. 48-49. Compare p. 30: "America has profited enormously under it," though in the same breath the profitable tariff is pronounced "an abomination . . . so immoderate, so unreasonable, so *unnecessary*." Elsewhere (p. 178) the orator says of the countries in question: "I do not say they have progressed in consequence of Protection"; but this is one of his many self-contradictions. His general argument affirms that or nothing.

CHAPTER II

THE CONSENSUS OF PROTECTIONIST STATES

LET us first consider the doctrine of Mr. Chamberlain—that Protection is advantageous. At the outset we must put aside as clearly irrelevant his language about "ruin." In no rigorous sense of the term can a nation as such ever be said to be "ruined" by mere fiscal policy, even the most vicious. There is no case of such national "ruin" in written history. Fiscal vice certainly hastened the military "ruin" of the Roman Empire, and the general decadence of the Spanish Empire in the sixteenth and seventeenth centuries; and fiscal vice, as apart from import duties, obviously keeps Turkey backward now, even with a low tariff on imports. But in the ruin of Rome the primary and fatal factor was the system of conquest and the resulting exaction of tribute, which, coming in the form of unbought food, destroyed the agriculture of Italy without permitting of the substitution of any equivalent body of productive industry.[1] The secondary factors in the process were the universal suppression of self-governing institutions and the resulting paralysis of political character. The whole empire was morally eviscerated. But the direct result of the most vicious fiscal policy, as such, is simply to increase

[1] A recent protectionist writer (Welsford, *The Strength of Nations*, 1907, pp. 3, 9), after noting that under the tribute system "neither goods nor services were given in return," assumes that those "free imports" of extorted tribute in the form of food were nearly on all fours with the free imports which a free-trading country *buys* by its exports. This is a fair sample of current protectionist economics and sociology.

greatly the total amount of distress in a nation by checking the production and distribution of wealth, thus making it unprosperous relatively to other nations, or relatively to its known possibilities. And seeing that the prosperity of nations varies in respect of their natural resources as well as of their fiscal systems, and that resources vary greatly to begin with, it is only by a careful analysis that we can determine how far even relative distress is the result of fiscal policy. The same country, under the same fiscal system, may be "prosperous" in one year and distressed in the next; and still the fiscal system may be a great aggravator of the distress. To say, then, that mere avoidance of national "ruin" raises a presumption of wisdom in any fiscal policy, is idle. The problem is, whether any given policy in any country promotes or hinders the production and distribution of wealth. No fiscal policy can make Iceland relatively rich. And no fiscal policy can alone "ruin" the United States, or even the United Kingdom, which in the first half of the nineteenth century actually did suffer enormously from Protection.

We have simply to ask, then, for the present, whether protectionism maximises or minimises the production and distribution of wealth. And at the outset we have to note that, by the nearly universal consent of the "civilised nations," free trade within the limits of a nation is highly advantageous to its people as a whole. Certain tolls or *octrois* are indeed retained in certain European countries as means of local revenue, but nobody pretends that they directly help industry; and the United States and united Germany alike practise free trade as between the States composing their aggregates. It is there universally admitted to maximise the production and facilitate the distribution of wealth.

If then it is not practised as between France and Germany, the United States and Canada, the reason can hardly be that protective tariffs are known to have such a maximising effect on either side. If it were heartily believed that of the two States, Saxony and Prussia, either had gained by a tariff against the other, the one which believed itself to have gained would surely denounce the resort to free trade. But no such protest is heard. It is not now pretended that either

State is making a commercial sacrifice for the sake of non-commercial benefits. Nobody believes, again, that trade on either side of the Thames, say, would gain by setting up reciprocal customs duties at both ends of the bridges which cross it in London. All men admit that the total volume of trade would thereby be lessened, both sides suffering. Thus protectionism, in the terms of the case, admittedly minimises the production and obstructs the distribution of wealth.

But even if the North American and German States, or any of them, *did* believe that by accepting internal free trade they were individually sacrificing a commercial advantage in order to secure some other, no one State can affect to believe that the advantage had been reciprocal. If Prussia believed that she gained by setting up tariffs against Saxony, she could not well believe that Saxony gained also. On that view the tariffs should have been retained, whereas the majority in each protectionist State to-day welcome the lowering of a tariff against them. That is to say, in terms of their general doctrine, all protectionist States are checking each other's production of wealth. Either they are right or they are wrong in their theory. And either way, what is to be said of their *collective* wisdom? Wherein does it differ from the folly of two litigants who "ruin" each other in sheer revenge?

Evidently, as between Mr. Chamberlain and Mr. Balfour, we must thus far side with the latter. To argue, from the general resort of the nations to Protection, that Protection is advantageous, is to commit a gross fallacy. On the face of the case, all believe that they are successful in injuring each other, and that the success of each involves its suffering corresponding injury at the others' hands. How then can it be pretended that their agreement in the *manner* of their action ought to make us suppose that they are wise? As well say that because all the members of a given family are always fighting, a solitary neighbour ought to doubt the wisdom of his peaceful life. On every principle of sound reasoning, the fair presumption is that protectionist nations are collectively wrong. They collectively raise that presumption by their very doctrine.

CHAPTER III

THE CONTRASTED THEORIES

If it be asked whether the present protectionist movement in England stands for any new economic doctrine, the answer must be substantially a negative. It of course appeals to new figures; by some it is vindicated mainly as a plea for new sources of revenue, apart from any other consideration; and some of its publicists profess at times to hold a midway position between protectionism and free trade, aiming at Protection upon some lines, and at free trade upon others. But even these are not new formulas; and the movement as a whole gives voice to every form of protectionist doctrine that has emerged in the long history of trade legislation. Apart from the special thesis of inter-imperial preference, which returns to the practice of seventy years ago, the new movement is merely a revival of that which, under the names of "Retaliation," "Reciprocity," and "Fair Trade," rose from time to time among us in the past generation. Always changing the name, the promoters have now boldly annexed the reasonable and descriptive title of the moderate free traders of the United States, who really are seeking to reform a tariff, not to create one. But under all the names the movement is the same. The need that the State (now "the Empire") should be self-feeding and self-sufficing; the need to employ our own people; the unfairness of foreign competition; the success of Protection elsewhere (concurrently with the existence of much "pauper" or "sweated" labour in the

successful countries); the urgency of retaliation and the need for a tariff wherewith to retaliate,—all the old medley of incoherent empiricisms comes up in the struggle, every single theorem having its partisans, and no man endeavouring to correlate them. Of the recanting free traders who lead the movement, not one has ever professed to explain wherein lies the fallacy of the arguments on which, for the greater part of his life, he founded with perfect confidence. Those arguments are simply ignored, and the protectionist arguments which they claimed to confute are now recited without a hint of the source of their new efficacy.

The theoretic bases of the conflicting causes, then, remain unchanged: all that has happened is that certain politicians have on this issue changed sides; some avowedly because they were not satisfied with the latter course of our foreign exports under free trade (though an unprecedented increase in those exports has failed to bring them back); others on the plea that "we must broaden the basis of taxation"; yet others on pleas as to the need for federating the Empire. Sir Vincent Caillard, whose first essays seem to have helped to inspire Mr. Chamberlain, grounds his whole case on the assumption that the colonies will accept a preferential system under which they will turn from manufactures to agriculture, letting us manufacture for them, and finally assenting to "free trade within the Empire."[1] Nothing is more notorious than the determination of the colonists to do no such thing; the thesis is not so much a chase of a will-o'-the-wisp as a proposal to run a train against the danger signals. On either of the other pleas before us, protectionism has still to justify itself against the close-woven inductive and deductive argument which constitutes the economic case for free imports. That thesis, as put by a long series of economic reasoners, from Petty and North to Smart and Hobson, is in brief that, to quote Adam Smith, the effects of any form of Protection "can only be to force the trade of a country into a channel much less advantageous than that in which it would naturally flow of its own accord," relatively lessening the productivity

[1] *Imperial Fiscal Reform*, 1903, pp. 95-98, 111, 125, 139, 144, 149-50, 162 167, 169, etc.

of labour, and therefore the real wealth of the community. The extreme application of Protection would be that imagined by Smith—the making of wine in Scotland from grapes grown under glass, at a cost of about thirty times that for which the thing can be done without glass or Protection in France. Between that vision of extravagance and the natural adjustment of things lie all the operations of protectionism; the difference is simply a question of the *amount* of labour wasted.

Does the present-day protectionist, then, take up an intelligent and intelligible position with relation to this fundamental issue? Has he any test or measure of economic fitness; any scheme which limits his commercial progress towards the commercial growing of oranges under glass? He wants to employ home labour: has he made any calculation of the extent to which "making work" can be arguably expedient? Precisely how far, or nearly how far, does he desire to go in maximising the expenditure of labour in relation to the product? He has not yet proposed to destroy or abandon machinery: he is even a professed believer in labour-saving appliances; how then does he reconcile his proposal to have goods made under conditions of greater difficulty of production than those permitted by free imports? On what basis does he reckon the compensation which he appears to take for granted?

To put these questions is merely to find that there is no answer. Present-day British protectionism, called "tariff reform," has no economico-scientific basis; no calculation of compensations; no idea of measuring loss from productive friction against any of the forms of gain on which it reckons. It talks of putting no duty on imports of raw material, yet proposes to tax food, giving in the latter case merely the pretext that this is necessary in order to "give colonial preference," whereas the same pretext could equally well do duty for the taxation of raw material. All the while, flour is a raw material of industry as well as a food; and wherever a producer of raw material clamours for Protection—as in the case of hops and granite—the propagandists of protectionism back him up. Of raw material no pretence of definition is forthcoming. Half our industries use partially manufactured articles as their raw material; but no tariffist can or will

tell how they will fare should his party come into power. Particular leaders promise particular industries that *their* partially manufactured raw material shall not be taxed. Thus Mr. Bonar Law has openly undertaken that his party would under no circumstances tax the imported steel plates or other materials which are used in shipbuilding. Meantime the general campaign is being supported by British producers of those very materials, who demand to be protected against the foreigner.

Already it is clear, then, that the present protectionist movement is merely a recrudescence of the protectionism with which we are familiar in our own history. It proceeds on the old medley of crude impulses—jealousy of "the foreigner"; the incoherent sentiments of "Britain for the British" and "our trade for our Empire"; the belief in a "balance of trade"; the dread of an excess of imports over exports, justifiable only by the old belief that such excess is paid for either in bullion or in "securities"; the dream of making "the foreigner" contribute to our revenue; the notion that to make work is to make wealth; the insane fear that our great industries can be destroyed by an increasing importation of foreign goods, we producing less and less. Such, at least, are the avowed pretexts which appeal to uninstructed minds, and some of which, unquestionably, actuate even some instructed men, who, moved by considerations of the "imperial" order, dispose of the contingent economic problems by phrases about making up for a slight rise in the price of bread by stability of employment—the said stability, as a result of Protection, being taken for granted. The more effective impulse is, of course, the desire of particular classes of producers for the extortionate profits which they see being made by similar producers in protectionist countries.

In no other respect can our protectionists be said to have learned anything from foreign experience or foreign doctrine. German protectionism, in so far as it can be said to have any theoretic or quasi-scientific basis, proceeds upon the doctrine of Friedrich List, to the effect that such a country as Germany must pass through the specific "industrial" stage in order to

build up an all-round civilisation such as has been developed by England, and that only under Protection can this be done in the teeth of English competition. Upon List's premises there is no ground whatever for an English return to protectionism. Ill as he knew or understood English commercial history, and much as he relied on the dicta of protectionist authorities like Anderson, List never for a moment countenances even the survival of Protection in England in his own day. Writing in 1841, he expressly censures the English aristocracy for meeting the interest charge of the national debt "by the imposition of taxes upon articles of consumption, by which the existence of the working classes is embittered beyond the point of endurance."[1] Whatever be the merit of List's doctrine from a German point of view, it does not even pretend to be applicable to English conditions.

For either the economic or the moral harm wrought by Protection in foreign countries—the squandering of national resources in some, the paralysis of enterprise in others, the riot of rapacity in all—the protectionist has, of course, no eye. Such a propagandist as Mr. Kirkup, actuated on the one hand by socialistic dislike of *laissez-faire*, and on the other by concern for national greatness, accepts the tariffist solution without a hint of knowledge of the corruption it has elsewhere involved, the enrichment of the capitalist, the demoralisation of legislatures. Where he is thus remiss, the average protectionist, fishing with zest in troubled waters, is truly pococurantist on such issues. It is well, then, that even before re-examining his pleas, so often refuted in the past, we study the operation of his motives and his methods in our own commercial and industrial history, in which protectionism was so long a potent force. Having studied its "natural history," we shall be the better prepared to deal with it as a present factor.

[1] *The National System of Political Economy*, Eng. trans., ed. 1904, p. 44, *note*.

PART II

THE HISTORICAL EVOLUTION

CHAPTER IV

THE TRADITION OF INTERFERENCE WITH TRADE

§ 1. *Medieval Customs Duties*

THE argument that "so many nations would not adopt Protection unless it did them good" is, as we have seen, ill fitted to bear analysis. If it be put to the test of history, it will be still further invalidated. And a short survey of the historic antecedents, British and foreign, may be for many as good a way as another to reach the heart of the problem.

Import duties, it is needless to say, are among the oldest of fiscal expedients; and a protectionist purpose is seen already at work in Europe in the Middle Ages. Only gradually, however, does it take the modern form. In England, for long, the customs revenue was raised largely upon the *exports* of wool and other forms of raw produce; and what "protection" there was arose from three main motives—(1) the preservation of food supply and the embarrassment of the enemy's trade in war time; (2) the protection of agriculture, woollen manufactures, and shipping; and (3) the guarding of bullion supply. But one characteristic all of these courses had in common—they were invariably ineffectual save for

harm. Thus we find Richard I, in 1194, forbidding the export of corn or any kind of victual "that England might not suffer from the want of its own abundance."[1] Such a law of course cannot have been effectual in time of peace, when there was a surplus for export;[2] and in 1339, when there was war with France, it was enacted "that no corn be exported till further ordinance be made therein"; which proves that the statute of Richard had not been operative. Again, in 1360, after the treaty of Bretigny, a statute enacts that corn shall not be exported to any foreign port but Calais and those of Gascony[3]—the King's foreign possessions. This limitation again must in due course have lapsed, for in 1382 Richard II is found granting the "Petition of the Commons, that no corn shall be any more exported under colour of the royal license elsewhere than to Calais, Berwick, Gascony, Breste, and Cherburg, paying the Custom due thereon."[4] Evidently the general veto had been used as a means of extracting revenue by way of export duty under the form of charge for licence; and the Commons preferred to check exportation, by way of keeping down the home price. In 1394, however, there comes a new Petition of the Commons "that whereas growers can obtain no reasonable price for corn within the kingdom, free passage for it may be granted to them, except to hostile countries,"[5] and this in turn is granted, with a reservation of power to the Crown to interfere. This power is thought to have been freely used to suspend the freedom of export;[6] but the law was confirmed[7] and amended[8] in the next century, apparently on the principles of the petitioners

[1] Triveti *Annales*, *sub ann.* 1194, Ed. Eng. Hist. Soc. 1845, p. 142. Matthew Paris and Roger de Hoveden make no mention of the law.

[2] Even in time of war it was disobeyed. It is told of Richard I, that at Saint Valery he seized five vessels laden with English corn for the King of France, hanged the seamen, and slew also some monks, possibly concerned in the transaction. Then he divided the corn among his soldiers (not "the poor," as is stated by Macpherson, and after him by Craik). See Matthew Paris and Roger de Hoveden, *sub ann.* 1197. Cp. Trivet.

[3] 34 Ed. III. c. 20.

[4] Hall, *Hist. of the Customs Revenue*, ed. 1892, i. 233, citing *Rot. Parl.* iii. 141, 54.

[5] Hall, i. 238, citing *Rot. Parl.* iii. 320, 29; Act 17, R. II. c. 7.

[6] Cunningham, *Growth of British Industry and Commerce*, 4th ed. i. 407.

[7] 4 Hen. VI. c. 5. [8] 15 Hen. VI. c. 2.

of 1394, as an "attempt to keep up the price of corn, and so to encourage the farmer to carry on and to improve tillage."[1] That there had been continued resistance is shown by the fact that the confirmation of 1425 required to be followed up by the Act of 1436, which made freedom of export absolute only under condition that the home price of wheat should not be above 6s. 8d. the quarter. Here the interests of the consumer are safeguarded. But in 1463, under Edward IV, the Hanse merchants having taken to importing corn, a new veto is placed on *importation* save when that price has been exceeded—the concern now being definitely the protection of the corn-grower.[2]

What has happened thus far is (1) a check on food export in time of war, followed up by (2) a practice of "royal license" to export it in time of peace—the establishment, in fact, of a new export duty, which, however, is not heavy enough to restrain export to the extent of keeping prices low. Accordingly the "general consumer" seeks (3) to strengthen the check, and the crown is well pleased to accede; until (4) the "pull" of the corn-growing interest is sufficiently strong to obtain freedom of export up to the 6s. 8d. limit. Finally, (5) the same interest obtains a veto on importation beyond the same price limit. Part of the explanation would seem to be that corn-growing and wool-producing, or at least the dealing in those products, became more and more a matter of "business" during the Wars of the Roses, when the feudal nobles were destroying each other.

In regard to wool-working, it is not till the fourteenth century that any systematic attempt is made at fostering. When in 1271 Henry III had a commercial quarrel with Flanders, he sought to injure the enemy by prohibiting the export of wool and the importation of worsteds—a thing he had tried to do before in 1261;[3] and at the same time he offered the rights of Englishmen to those Flemings who settled in England, while he banished the rest.[4] But this policy of

[1] Cunningham, as last cited. [2] Cunningham, as cited.
[3] Cralk, *History of British Commerce*, 1844, i. 127.
[4] H. W. C. Davis, *England under the Normans and Angevins*, 1904, p. 509; Gibbins, *Industrial History of England*, 1894, p. 52.

exclusion of manufactures was not persisted in. Weaving for export seems not to have been practised in England at all till after the Conquest, when Flemish weavers settled at Norwich.[1] The natural movement was to the export of the raw material, wool, which England supplied in abundance, chiefly to Flanders;[2] and the taxes long continued to be laid on the export, all the more after Edward III had continued the policy of encouraging the Flemish settlement of weavers. Only in time of war (1337), however, does the Parliament of Edward III put a temporary veto on wool export and on the importation of foreign cloth; and then, too, foreign cloth-workers are allowed to remain.[3] The duty, doubtless, was for a time substantially paid by "the foreigner," England being the main source of the Flemish supply; but the tendency would be to encourage other sources; and it was probably a decline in the Flemish demand for the artificially dear English wool, rather than the mere temporary protection of cloth-making,[4] that gave to English manufacture the stimulus which led to the export of crude cloth gaining ground upon the export of wool.[5] To maintain the high price of wool (*por mieuls garder le haut pris des leyns*) is the avowed object of the strange statute of 1390,[6] enacting that no denizen of England should buy wool save of the sheep-owner, except in the staple; that no Englishman buy any wool of any person but for his own use, "as to sell at the staple and for to make cloth." The whole export trade was thus put into the hands of the foreign merchant;[7] and the chronicler Knighton records that in consequence of the veto on export by English dealers there was a disastrous glut in many

[1] Cunningham, *Growth of English Industry and Commerce*, 4th ed. i. 190.

[2] In 1284, however, many British monasteries had agreed to sell their wool to the Florentines. Cunningham, i. 198, 210, and App. D; Green, *Short Hist.* chap. v. sec. 1.

[3] 11 Edw. III. cc. 1, 3, 5; Cunningham, i. 193, 305.

[4] Dr. Cunningham (i. 308) writes in his text, with regard to the war measure of 1337, that "the workers in England had thus a complete monopoly of the home market," while admitting in a footnote that "this protective system was not completely enforced for any long time." The veto of 1271 nominally lasted four years, and there were "evasions." *Id.* pp. 192-3 and *note*.

[5] Hall, i. 76; cp. Craik, i. 144, 149. For a long time the woollen cloth exported was both undressed and undyed. Craik, ii. 11, citing Raleigh.

[6] 14 Rich. II. c. 4.

[7] Cp. Craik, i. 149.

places for two or three years, reducing the growers to the greatest distress.[1] As late as 1391 the customs on exported wool amounted to £160,000, though the quantity was unusually low; and seeing that in 1354 the duty amounted to 40 per cent of the value, the inference of checking of demand by high duties seems the right one. But there has to be added the factor of the injury to trade in Flanders by the harassing regulations and bitter strifes of the trade communities there. In Ghent and Bruges the jealousies of weavers and wool-dealers, complicated by the standing feud of the pro-French and anti-French factions, led to bloody tumults in 1301 and 1302, 1500 lives being lost in one riot in the latter town in the latter year.[2] At Ypres in 1303 all the magistrates were slain in a riot arising out of a demand by workmen for the suppression of rival industries in neighbouring villages. Brussels in 1312 was for a time given up to pillage and massacre as a result of practical civil war between the plebeians and the commercial magistrates of the principal cities of the weaving trade in South Brabant. Such desperate evils demanded earnest attempts at remedy; and the "Laws of Cortenberg," framed by an assembly of nobles and burghers to regulate trade affairs, secured comparative peace for a generation.[3] But the medieval fatality of ingrained strife between trades, classes, and cities at length checked the democratic evolution; and in the fifteenth century there was a general relapse towards despotic conditions. Under monarchic management the unhappy Netherlands fared no better. In 1448 the Duke of Burgundy exacted from his subjects a duty of 18s. on every sack of salt; in 1449 a tax upon wheat; in 1451 a duty on herrings at Sluys and a duty on wool. These were finally rebelled against by the men of Ghent; whence arose a war, in which they were beaten, and for which they had to pay a fine of 300,000 riders, with 50,000 riders damages.[4] But the cities had inflicted quite as serious evils upon themselves.

[1] *Chronicon* Henrici Knighton, ed. Rolls, 1889-1895, ii. 314-15, *sub ann.* 1390.
[2] *Mémoires de Jean de Witt*, Fr. ed. 1706, pp. 34, 35.
[3] Grattan, *The Netherlands*, 1830, p. 38; David, *Manuel de l'histoire de Belgique*, 1847, pp. 142, 143.
[4] Macpherson, *Annals of Commerce*, 1805, i. 670, citing Meyer.

Mismanagement of trade by restrictive laws was thus no specialty of monarchic and other feudal governing factors: it was of the very nature of the medieval view of life; and traders could always be trusted to impose restraints on their own careers of their own accord. To take Italy as an illustration, it may suffice to note that there, "in nearly all parts of the peninsula, were drawn up corporation statutes, the work of the central power, in which prohibitions and penalties multiplied, the inevitable effect being to condemn to a slow death the institutions to which they were applied. Heavy fees on entry into a profession, harassing supervision of production, manifold fines, distrust of every kind of initiative and spontaneity"[1] — such were the phenomena of trade regulation in democratic states. "One thought inspired all the measures taken by the Italian commonwealths in regard to commerce and industry. They were filled with the idea of securing for themselves a monopoly, which was necessary for their mode of manufacture, conveyance of goods, and intercourse with foreign countries."[2] Again, "in many of the towns of Germany and the Netherlands a desperate struggle took place during the thirteenth and fourteenth centuries between a burgher oligarchy who monopolised the municipal government . . . and the artizans organized in their craft gilds; the craftsmen fighting first for the right of having gilds of their own, and then for a share in the government of the town."[3] And in England "we find the merchants bribing John to revoke the London weavers' charter, and the weavers buying it back again"[4]—a process paralleled in the earlier and later strifes between the weavers and the general body of citizens.[5]

The whole machinery of the medieval gilds, in short, obeyed the primordial bias to privilege. Old gilds became oligarchies, and new ones rose against them, to become

[1] Prof. E. Nys, *Researches in the History of Economics*, Eng. trans. 1899, pp. 52-53.
[2] *Id.* p. 55.
[3] Prof. W. J. Ashley, *Introd. to Eng. Econ. Hist. and Theory*, 4th ed. 1906, i. Pt. ii. pp. 78-79.
[4] A. L. Smith in *Social England*, illust. ed. i. 522.
[5] Brentano, *History and Development of Gilds*, 1870, p. 56.

exclusive in their turn. Craft-gilds battled against the dominion of merchant-gilds, which had originally included craftsmen; gilds of both sorts broke up into special trade-gilds by reason of the jealousies set up by variety of occupation; the butcher must not deal in hides, or the skin-seller kill his beasts; capital drew apart from labour, throwing upon it as far as possible the burdens of taxation; the craft-gilds became increasingly capitalistic in their turn, the tanners separating from the shoemakers, and the shoemakers from the cobblers; and apprentices were denied the right to set up on their own account, till "the craft-gilds everywhere had sunk down to mere societies for the investment of capital."[1] And as group plotted against group, so district strove against district, and the town against the village, men combining as neighbours only to beggar the neighbours who were a little farther off.

Monarchic countries proceeded on the same inspiration as others. If they had any moral advantage, it came of the occasional subordination of local to national interests. It has been loosely summed up that English trade before Edward I was municipal; under him it became national; and under Edward III it became international.[2] The prevailing European practice was that strangers—that is, not merely aliens but men from another town or county—everywhere paid special tolls, could not deal with other strangers, except at fairs or at some special markets, and, with the same exceptions, could not sell by retail.[3] In Florence, so late as the seventeenth century, this principle still held good, peasants coming to town being permitted to sell their wine only by wholesale, and the privilege of retailing being reserved to the "nobility and gentry."[4] Against such atomism as this the English kings, Edwards I and III, operated in their own interests—"to wit, the increase of customs and the easier negotiation of loans"—and "had broken down many of the

[1] Brentano, §§ 4, 5.

[2] Cp. Cunningham, i. 186, 261, 265; H. Hall, in *Social England*, illust. ed. ii. 146; and Prof. W. J. Ashley, *Introd. to Eng. Econ. Hist. and Theory*, as cited, pp. 8, 9.

[3] Prof. W. J. Ashley, as cited, p. 13.

[4] Letter of Dudley North, in *Lives of the Norths*, Bohn ed. ii. 26-27.

barriers in the way of alien merchants, especially those which limited their residence in England to forty days, and prevented their going inland. . . . Edward III had even gone further, and by the statutes of 1335 and 1351 had abolished all restrictions. Merchants and all other persons, of whatever condition or estate they might be, were by the former Act permitted to trade with whomsoever they pleased, and by the latter to sell in gross or at retail, or by parcels, at their will. But these measures disturbed the very foundations of medieval town life";[1] and many petitions against them came from the towns. Only the general support of the landowning class, who wished to deal directly with the foreign traders, made possible the persistent legislation in their favour.[2] Thus even measures tending towards partial freedom in trade were passed not for freedom's sake, or for the general good, but for the advantage of a class and of the king's exchequer.

The Crown, on the other hand, with varying degrees of assent from the conflicting sections of the commercial and landowning population, imposed crushing restrictions on trade by way of facilitating its collection of customs, especially in the matter of "the staple," an arrangement to the effect that all goods of a particular kind should pass through a given place at home or abroad. The original "staples of the kingdom" were wool, sheepskins, and leather; but the word came to mean both the articles of chief export and the places officially fixed for their collection, passage, or assessment. In this matter the changes were incessant during a long period.[3] In 1313 a charter of Edward II "to the mayor and council of the merchants of the staple" ordains that all merchants, native or foreign, buying wool and woolfelts for export, instead of taking them, as formerly, to several places in Brabant, Flanders, and Artois, shall henceforth take

[1] Ashley, as cited, pp. 13-14; Gibbins, *Industry in England*, 1896, p. 128.

[2] Cp. 1 Edw. III. st. i. preamble, and c. 1; confirmed by 25 Edw. III. st. iv. c. 2. The plea is for the interests of "prelates, earls, barons, nobles, and the people," and "knights, citizens, and burgesses," as against "some people of cities, boroughs, ports of the sea, and other places," who seek to exclude foreign merchants.

[3] Prof. Ashley, as cited, vol. i. Pt. i. pp. 111-113.

them to one staple in one of those countries to be appointed by the said mayor and council, who thereupon fixed it at Antwerp.[1] In 1326, nevertheless, it was removed altogether from the continent, and fixed at certain places at home—Cardiff being one of them.[2] In 1328,[3] in the next reign, it is enacted that all staple regulations shall cease, and merchants may go and come with their goods freely "after the tenor of the Great Charter"; yet again in 1332 new staples are established, to be again abolished in 1334; whereafter a new staple at Bruges in Flanders is established in 1341, and transferred in 1348 to the newly captured town of Calais.[4] In 1352 the staple is set up in London.[5] Then again, in 1353, the Ordinance of the Staples[6] removes the staples "for ever" from Calais to nine English, one Welsh, and four Irish towns; and this arrangement lasts for ten years, whereafter the staple is again fixed at Calais—to be brought back to England—with a number of changes in the towns—in 1369,[7] in consequence of the renewal of war with France. In 1376, on the petition of the people of Calais, the staple is restored to them, and made to include all the main articles of English export; but in 1378,[8] merchants from Genoa, Venice, Catalonia, Aragon, and other western ports are permitted to do their business at Southampton; and in 1382,[9] all merchants are empowered to export wool and leather to any country save France, upon paying the Calais duties in advance. Then in 1384 the wool staple is shifted from Calais to Middelburg; in 1388[10] it is put back; and in 1390[11] it is brought once more to the English towns appointed in 1353. Next year, however, the lords of the Council are empowered to fix upon other towns on the coast; and yet again the staple tacitly returns to Calais, remaining there till the capture of the town by

[1] G. L. Craik, *Hist. of British Commerce*, 1844, i. 120-1.
[2] Macpherson, *Annals of Commerce*, 1805, i. 497.
[3] 2 Edw. III. c. 9.
[4] Rymer's *Foedera*, v. 618.
[5] *Chronicon* Henrici Knighton, ed. cited, ii. 74.
[6] 27 Edw. III. st. ii. c. 1.
[7] 43 Edw. III. c. 1.
[8] 2 Rich. II. st. i. c. 3.
[9] 5 Rich. II. st. ii. c. 2.
[10] 12 Rich. II. c. 1.
[11] 14 Rich. II. c. 1.

the French in 1538, whereupon the staple is set up at Bruges.[1]

Our economic historians have made no attempt to elucidate this amazing record, beyond admitting, with Ochenkowski, that "fiscal motives" were largely operative.[2] The chronicler Knighton expressly asserts that in 1352 the staple was set up in London "to the great emolument of the King, and to the great damage of aliens and merchants."[3] It may be added that the perpetual changes are intelligible only as results of pressure, chiefly pecuniary, by the local and commercial interests concerned. One thing is clear. While one of the objects of the government is always presumably national advantage, the result must have been habitual restraint of trade.[4] Behind the policy pursued there was no deeper science than rule of thumb. In the words of the protectionist Professor Hewins, "When we read the statutes or the Rolls of Parliament we are impressed with the absence of definiteness of aim or policy." "Looking through the Statute-book, our first impression is that commerce, during the latter half of the fourteenth century, was so cramped by absurd regulations that progress was well-nigh impossible. But the measures of this period were the result of practical efforts to cope with difficulties by men who were untrammelled by any theoretical system. Edward III took counsel with his merchants in making provision for the regulation of trade."[5] Quite so. It was the policy of the axe-to-grind, and in that "untrammelled" practice we have a simple illustration of how similar methods might work to-day.

§ 2. *Navigation Laws*

The same kinds of light and leading were at times brought to bear upon shipping, with similar results. "The com-

[1] Craik, i. 120-4.

[2] Prof. Ashley, Pt. i. p. 112. The "advantages" to merchants alleged by Prof. Ashley are problematic. Cp. Cunningham, i. 312-13; Hall, *Hist. of Customs Revenue*, ed. cited, i. 30; and in *Social England*, ii. 149.

[3] *Chronicon*, as last cited. Knighton adds: "Nam emolumentum regis, per tale incrementum, ut dicebatur, continebat summam MCII libras ultra quam aliquis rex habuerat ante."

[4] Cp. Hall, i. 35. [5] W. A. S. Hewins, in *Social England*, ii. 335, 343.

mercial restrictions [of Edward III], though they hampered, did not entirely destroy English shipping," says Dr. Cunningham, lucidly adding, "but there were other causes which led to its decline."[1] So there was passed the first Navigation Act[2] (1381), whereby "to increase the navy of England, which is now greatly diminished, it is assented and accorded that none of the King's liege people do from henceforth ship any merchandise in going out or coming within the realm of England, in any port, but only in ships of the King's liegance." The results seem to have been nil.[3] Richard II could not protect English shipping from pirates, and his successors in turn "tried, with but little apparent results, a variety of expedients for giving protection to English shipping and the English coasts."[4] It was of course found that the Act of 1381 merely restrained trade; and in 1409 Henry IV is found giving permission to the merchants of Venice to bring their laden vessels into English ports, to trade between these ports and Flanders, and to load with English wool, cloth, or other merchandise for the home voyage.[5] This permission was confirmed by Henry V, though that king, with his new fighting ships, might at least have hoped to check piracy. A protective policy is again found on foot in 1463, when a parliament of Edward IV, legislating against the export of wool, enacts also that no Englishman may export or import goods in foreign vessels if he can do it by vessels of the realm.[6] Another expedient is tried in 1485, when Richard III grants to English shippers a monopoly of wool-carrying to Florence. Yet again, in 1488, an Act of Parliament under Henry VII declares that because of the "minishing and decay of the navy and idleness of the mariners," the country is on the way to ruin; and ordains that exports shall go only in English bottoms, and Gascony wines and Toulouse woad be imported only in the same. After a protracted and fruitless trial the measure is modified in the year 1552 by an Act of Edward VI,[7] which states

[1] *English Industry and Commerce*, 4th ed. i. 394.
[2] 5 Rich. II. st. i. c. 3.
[3] Cp. Craik, i. 164.
[4] Cunningham, i. 409.
[5] Craik, i. 164.
[6] 1 Edw. VI. c. 1.
[7] 5 and 6 Edw. VI. c. 18.

that the former Act "was supposed to be made for the maintenance of the navy of this realm, and also to the intent and upon good hope and trust to have had the same wines and woad at more easy prices than before they had been; the experience whereof has ever sithen, and now of late most of all, appeared to the contrary, for that the said wine and woads be daily sold at such excessive prices as hath not before been seen within this realm; and the navy of the realm thereby never the better maintained." It is now provided, accordingly, that importation in foreign ships shall be lawful between February 1st and October 1st in each year.

For some time the liberative movement maintained its strength, for in the first year of the reign of Elizabeth[1] the Act of Henry VII is wholly repealed, on the score that by reason of such enactments "there hath not only grown great displeasure between the foreign princes and the king of this realm, but also merchants have been sore grieved and endamaged" by the retaliations of foreign states. Experience had shown, to all save the monopolists, that "protection" of shipping never promotes it. Nevertheless the Act of Elizabeth, though only "for a period of five years, and thence to the end of the next Parliament," still provides "for shipping in English bottoms," and merely specifies the cases in which merchants *may* use foreign ships. Four years later (1562), Burleigh, who seems to have been opposed to restrictions on foreign shipping in general, but was concerned to discourage wine-drinking,[2] threw his weight on the side of the monopolists, leaving *them*, however, to import wine as freely as they would. There is an explicit renewal of the Act of Henry VII in an Act[3] "to endure for ten years" from 1564. This is a general measure "for the better maintenance and encrease of the navy of this realm of England." Clause 1 allows any subject to export fish in an English ship free of duty; clause 2 provides that no toll shall be taken of fish brought in in such a ship (with reservation of the

[1] 1 Eliz. c. 18 (1558-1559).
[2] Cp. Cunningham, *English Industry and Commerce*, ii. (ed. 1903), 70-71.
[3] 5 Eliz. c. 5, cl. 8.

privileges of Kingston-upon-Hull); clause 8 enacts that no fish, victual, or wares shall be carried from one English port to another in a stranger's ship; and clause 11 re-enacts that no French wines or Toulouse woad be imported save in English-owned vessels.

Perhaps the most remarkable part of the measure is the enactment[1] that every Wednesday is to be a "fish-day," as Saturday is already.[2] It is carefully explained that the Act "is purposely intended and meant politickly for the increase of fishermen and mariners, and repairing of port-towns and navigation, and not for any superstition to be maintained in the choice of meats"; and it is further enacted that "whosoever shall by preaching, teaching, writing, or open speech notify that any eating of fish or forbidding of flesh mentioned in this Statute is of any necessity for the salvation of the soul of man, or that it is the service of God otherwise than as other politick laws are and be; that then such persons shall be punished as spreaders of false news are and ought to be."[3] There is no reason to suppose that this queerly "politick" law was ever extensively obeyed;[4] and in 1584 it was repealed[5] "as concerneth the eating of fish and restraineth the eating of flesh upon the Wednesday," though still "victuallers shall utter no flesh in Lent, nor upon Fridays or Saturdays."

As to the other provisions for multiplying fishermen and mariners, an Act of 1570[6] revives the provision for the free export of fish, declaring that it greatly increased the navy and fishermen, but says nothing about imports in foreign ships; whence it may be inferred that the old veto had once more lapsed. A continuance Act of 1588[7] provides concerning that of 1562 that "so much only . . . as at this present standeth in force, and not heretofore at any time

[1] Cl. 14, 15.
[2] This was a scheme of Burleigh's. Cunningham, as last cited, p. 68.
[3] Cl. 39, 40.
[4] In the usual dastardly fashion, poor women were at times pilloried for breach of the law, while rich men could buy licences to disregard it. Cunningham, p. 68 and *note*.
[5] 27 Eliz. c. 11.
[6] 13 Eliz. c. 11.
[7] 31 Eliz. c. 10, cl. 19.

repealed, shall continue . . . unto the end of the next Parliament"; and another continuance Act of 1594[1] dubiously provides that "so much of the said Statute . . . as heretofore at any time was repealed" "shall from henceforth be repealed." The improvement in English shipping and commerce in the reign of Elizabeth was in fact due to the positive activities of private enterprise, facilitated as they were by the freedom to export fish, and not by negative laws. But there were still to come the Navigation Acts of Cromwell and Charles II, so long defended by the coercionist school despite their proved injuriousness to commerce.

It is, in fact, still frequently maintained, on the authority of Adam Smith, especially among protectionists who accord him small authority upon any other score, that the navigation laws greatly benefited British trade. His words are certainly emphatic enough, albeit confused:—

> The defence of Great Britain . . . depends very much upon the number of its sailors and shipping. The Act of Navigation therefore very properly endeavours to give the sailors and shipping of Great Britain the monopoly of the trade of their own country. . . . It is not impossible that some of the regulations of this famous Act may have proceeded from national animosity. They are as wise, however, as if they had all been dictated by the most deliberate wisdom. National animosity at that particular time aimed at the very same object which the most deliberate wisdom would have recommended,—the diminution of the naval power of Holland, the only naval power which could endanger the security of England. . . . The Act of Navigation is not favourable to foreign commerce, or to the growth of that opulence which can arise from it. . . . By diminishing the number of sellers . . . we necessarily diminish that of buyers, and are thus likely not only to buy foreign goods dearer but to sell our own cheaper than if there was a more perfect freedom of trade. As defence, however, is of much more importance than opulence, the Act of Navigation is perhaps the wisest of all the commercial regulations of England.[2]

Smith usually qualifies his rasher utterances, and has done so here by his caveat about restrictions of trade and defence *versus* opulence; but rash readers have ignored his admissions,

[1] 37 Eliz. c. 7, cl. 21.

[2] *Wealth of Nations*, b. iv. ch. ii.

and continue to cite him as a witness for one form at least of Protection. Yet on no point has Smith been more completely confuted by his own school.[1] The Navigation Act not only restricted British naval power by restricting trade and opulence; it entirely failed to injure Dutch commerce and naval power. The protectionist Professor Ashley, nevertheless, pronounces that "on the question whether they [the navigation laws] were useful in the seventeenth century, most unbiased readers of history will agree with Adam Smith"; and, citing only Thorold Rogers in opposition to Smith, he writes:[2] "It is amusing to see how the *extreme Free Traders* have *hastened* to declare that Adam Smith was quite mistaken, and that the navigation laws did nothing for English shipping." If Professor Ashley had gone back to M'Culloch's note on the navigation laws, or to the work of Dr. Cunningham,[3] he would have seen, with or without amusement, the testimony of Roger Coke in 1671 that by the operation of the Navigation Act England not only suffered greatly in general commerce, but lost within two years the greater part of the Baltic and Greenland trade; and that Sir Josiah Child in 1691, while decidedly approving of the Act on political grounds, corroborates. Child, in fact, testifies (1) that the former English trade with Russia has gone to the Dutch, and (2) the Greenland trade to the Dutch and Hamburghers; (3) that the East country trade has fallen by more than half in England, while in Holland it has increased tenfold; (4) that the Dutch have won from England the trade in Spanish wood with Bilbao, the East Indian spice trade, the trades of *Scotland and Ireland*, and a great part of the Plate trade with Cadiz; and (5) that England has further no share in their trade with China and Japan and Surinam.[4] The author of the *Essay on the Cause of the Decline of Foreign Trade*,[5] no less explicitly testifies that the Act,

[1] Mr. Kirkup, however, like Professor Ashley, thinks it unnecessary to investigate the question. He quotes Smith's words (*Progress and the Fiscal Problem*, p. 19) as if they settled everything once for all.

[2] *The Tariff Problem*, pp. 35-36.

[3] *English Industry and Commerce*, ii. (ed. 1903), 212.

[4] Pref. to the second and later eds. of the *New Discourse of Trade*.

[5] Ed. 1756, p. 60.

instead of increasing British shipping and seamen, had diminished both, and had further imposed new burdens on English industry. As a previous writer had pointed out, "the Danes, taking advantage of this Act, raised their prices and customs upon us for pitch, tar, and timber, near double, and the Leiflanders the same for hemp and flax"[1]; while, as Roger Coke mentioned, the building of ships in England became one-third dearer within two years of the passing of the Act.[2] Professor Ashley has indeed claimed to show elsewhere that the Act stimulated shipbuilding and seafaring in the American colonies; but the later increase in the English shipping was demonstrably due to other causes. And as regards the whole reign of George II, while the nominal amount of our exports nearly doubled, rising from £7,891,739 in 1726 to £14,693,270 in 1760, the amount of native shipping in our foreign trade, which was 432,832 tons at the beginning of the reign, was not more than 471,241 tons at its close.[3] It can only be in total ignorance of these historical facts that a protectionist writer affirms the "supremacy of our mercantile marine" to be "the result of the bitter century-long struggle between England and Holland for commercial supremacy. . . . Our navigation laws *played their part with supreme success*, and the Dutch attempted to meet them by Free Trade methods with complete failure."[4] The "supreme success," as we saw, was a matter of destroying our shipping trade on half a dozen routes, the Dutch being the gainers; while the only direction in which England could hold her own was in that of her monopoly trade with her own colonies.

[1] *Britannia Languens*, p. 68.

[2] Messrs. W. S. Lilly and C. S. Devas, in their edition of the obsolete work of Sir J. B. Byles, *Sophisms of Free Trade and Popular Political Economy Examined* (Lane, 1904, p. 317), carefully garble the testimonies cited by M'Culloch, and then, after so diluting the historical proposition on the free trade side as to make it seem of little importance even if true, proceed without a word of rebuttal to say that "we shall do well to regard these and the like authorities with a certain amount of scepticism. Questions of historical causation are of exceeding difficulty." That is to say, we are to be sceptical of all testimony that tells against protectionism, but credulous of every unsupported assertion in its favour. Questions of historical causation, in this view, become difficult only when free-traders raise them.

[3] Craik, ii. 201-2.

[4] Sir Vincent Caillard, *Imperial Fiscal Reform*, 1903, p. 79.

The fact was that the Navigation Acts, in the fatal way of all Protection, kept our shipping relatively backward and unprogressive. Early in the seventeenth century we find Raleigh urging his countrymen to copy the economic methods of the Dutch, who built ships specially adjusted to each species of trade.[1] Under the reign of monopoly no one seems to have dreamt of learning from aliens. Porter ascribed to the irrational system of tonnage measurement in use down till 1835 the fact that "the greater part of our merchant vessels are the most unsightly in Europe, and, what is of far more consequence, sail badly, and are very unmanageable in bad weather and on a lee shore. For this last reason," he added, "the loss of life that has been occasioned has been exceedingly great."[2] But while the method of measurement may in some degree have encouraged clumsy shipbuilding, the whole history of protected industries, with their proclivity to the obsolete, justifies us in setting down much of the evil as the effect of monopoly.

§ 3. *Bullion Laws and Others*

It is unnecessary to spend much time in tracing the history of the devices of the English or any other government in the Middle Ages to prevent the precious metals from leaving the country. The policy was the same all round, and equally futile everywhere,—from Spain, whose tributary income of bullion leaked out at every port by reason of her lack of productive industry from the sixteenth century onwards, to England, whose coin was freely current on the continent despite all the laws against export, and this without any injurious drain upon England.[3] In 1307 Edward I (collecting treasure for his attack on Scotland) is found absolutely vetoing all removal of bullion or coined money from the country; and though in the very next year an exemption had to be given to French merchants by Edward II, the law was obstinately and vainly insisted on in general. In 1335 and 1343,[4] under Edward III, fresh

[1] *Works*, ed. 1829, viii. 356.
[2] *Progress of the Nation*, ed. 1851, pp. 458-9.
[3] Macpherson, i. 619, 623.
[4] 9 Edw. III. st. ii.; 17 Edw. III.

measures of the sort are passed; while in the next two reigns, in 1390 and 1400,[1] there is offered the compromise of permitting foreign merchants to take away half the price of their goods in bullion, provided that they take the other half in English produce. All the while the original ordinance of Edward I permits remittance by bill of exchange, which, "if it did not carry money out of the country, produced precisely the same effect by preventing money from coming in."[2] Naturally the laws availed nothing; and Parliament in 1402 and 1403,[3] with futile persistence, repeated the useless enactment of 1400. At length, in 1404, a gleam of light penetrates to the legislature, and the restrictive acts in question are declared to be "utterly void and annulled for ever" as being "hurtful and prejudicial" alike to the king, the realm, the merchants, and aliens and strangers.[4] Yet in 1429, under Henry VI, it is again enacted that no Englishman shall sell goods to any foreign merchant except for ready money, or for other goods delivered on the instant, under penalty of forfeiture.[5] In the following year, the same Parliament complains that, as a result of this Act, "the English merchants have not sold, nor cannot sell nor utter, their clothes to merchant aliens, whereby the king hath lost his subsidies and customs . . . and English merchants, clothworkers, and others, the king's liege people, in divers parts of his realm, greatly annoyed and endamaged." The Act of 1429, accordingly, is amended, and sales at six months' credit are permitted.[6] But in 1439 the meddlers are at work again, and a new Act ordains, in the ancient manner, that no foreign merchant shall sell goods to another foreigner in England—a new limitation of the volume of trade.

Later, in 1453, we see the nature of the procedure by which legislation is procured. Parliament[7] grants the king the import duties of tonnage and poundage for life, and at the same time extra duties from "denizens[8] and aliens" on wool and other staple export wares. A tax of 40s. is imposed

[1] 14 Rich. II. c. 1; 2 Hen. IV. c. 5.
[2] Craik, i. 132.
[3] 4 Hen. IV. c. 15; 5 Hen. IV. c. 9.
[4] 6 Hen. IV. c. 4.
[5] 8 Hen. VI. c. 24.
[6] 9 Hen. VI. c. 2.
[7] 30 Hen. VI.
[8] *I.e.* foreigners *domiciled* in England by letters-patent.

on every alien merchant keeping house in England; 20s. on those staying six weeks; and £6:13:4 annual tax on every alien merchant during the king's life. Here we have a recrudescence of jealousy of the "foreigner," for in 1382 it had been re-enacted that "all manner of merchant strangers, of whatsoever nation or country they be," if at peace with England, should come and go freely at their will.[1] Evidently the mercantile class in the interim had acquired influence. The sequel shows that even with those handicaps laid on, the foreign traders could successfully compete; for an Act of the first year of Richard III complains that foreigners habitually sell by retail at fairs and markets. All the while there is going on spasmodically a policy of direct protection, Acts being passed under Henry VI, under Edward IV, and under Richard III, with the object of excluding as many foreign manufactured goods as possible. The idea that exports must be paid for by imports had not yet entered the English political consciousness. Only when trade was visibly paralysed by ruinous imposts was there any learning from experience. In 1454 a subsidy of 12d. in the pound was granted on all merchandise exported by denizens, aliens, or Hansards, and the export duty on wool was raised from 33s. 4d. to 34s. 4d.; whereupon it was represented to Parliament that the former tax would check the sale of woollen cloth, and the latter lower the price of wool. Accordingly, exports to the staple of Calais, or by licence to the Mediterranean, were exempted from the extra duty.[2] So utterly haphazard was the fiscal practice. Again, in 1459, the merchants of the staple at Calais, having lost heavily by the grants of licences under King Henry's seal, obtained, doubtless at a price,[3] a promise to issue no more. And yet again, in 1487, under Henry VII, we have Cardinal Morton exhorting Parliament to take measures that "whatsoever merchandise shall be brought in from beyond the seas may be employed upon the commodities

[1] 5 Rich. II. st. ii. c. 1.

[2] 31 Hen. VI. c. 8.

[3] In 1464 Edward IV acknowledges a debt of £32,861 to the merchants of the staple at Calais, and assigns them a yearly share of the wool subsidies. Macpherson, i. 677, citing Cotton's Abridgment.

of this land, whereby the kingdom's stock of treasure may be sure to be kept from being diminished by any over-trading of the foreigner."[1] The will to leave trade free was as remote from human instinct in politics as the will to permit freedom of any other kind.

[1] Bacon, *Life of Henry VII.* Ellis and Spedding's ed. of *Works*, vi. 81. Spedding accepts the view that Bacon's report of this speech is, according to the old practice, an ideal utterance drawn up by himself. This is not clear; but, in any case, the doctrine was that universally current at the time.

CHAPTER V

MONOPOLY AND PROTECTION IN BRITISH HISTORY

§ 1. *Early Protectionism*

THE age-long practice of interference with exports and imports, staples and shipping, had so thoroughly habituated rulers and traders to the idea of regulating trade and making revenue out of it, that when in the course of social evolution it became possible to practise "protection" proper on behalf of particular trades, the policy was embraced with all the zeal of economic and political ignorance.

Under Henry VI, Edward IV, and Richard III, we have seen, a policy of protection to manufacturers emerges from time to time in the medley of empirical regulations of trade. During the Wars of the Roses the land-owning influence naturally went backward with the destruction of the aristocracy, and the trading influence came to the front. It is a noteworthy fact that throughout the struggle the foreign commerce of the country expanded, and the trading class had a corresponding influence with the kings. Thus it was that whereas of old the landed class resisted import duties on the goods they wished to buy, the manufacturing class now succeeded in getting such duties imposed. It is only fair to note that example and provocation at times came from abroad. In 1449 Parliament enacts that whereas English cloths have been excluded from Brabant and the other dominions of the Duke of Burgundy, with the result of great distress among the men weavers, fullers and dyers, and the women websters,

carders and spinners of England, the products of those dominions shall be excluded from England unless the Duke's edict be repealed.[1] But the lesson was soon improved on, and this after the provocation had been withdrawn.

The motive avowed, of course, is patriotic, and the tactic of the earlier interferences is noticeably "popular." In 1455 the "silk-women and spinners of the mystery and occupation of silk-working" in London are represented as complaining that the Lombards and others, "imagining to destroy the said mystery and all such virtuous occupations of women in the said realm," are importing such articles as the silk-women make, instead of bringing unwrought silk as formerly—this at a time when the English were exporting much woollen cloth instead of raw wool "as formerly." The resulting Act[2] is tentative, it being ordained that during five years none of the enumerated articles should be imported, excepting girdles from Genoa; all offenders being fined £20 and their goods forfeited. As the Act was not renewed in 1460 it had either failed or excited hostility. But the same spirit is seen at work more vigorously than ever in 1463. The protection of the silk-women is then renewed in the former terms;[3] imports of wheat, rye, and barley are prohibited unless wheat is at 6s. 8d., rye at 4s., and barley at 3s.;[4] and Parliament further enacts on the one hand the exclusion of imported manufactures of nearly every kind, and on the other hand restricts the exports of raw wool. In both cases the plea is the encouragement of trade. As to wool exports, the enactment is[5] that

> because the chief and principal commodity of this realm of England consisteth in the wool growing within the said realm, and to the intent that sufficient plenty of the said wools may continually abide and remain within the said realm, as may competently and reasonably serve for the occupation of cloth-workers of England . . . whereby the cities, boroughs, and towns of the same realm, fallen into great and piteous desolation, ruin and decay, by the occasion of idleness may be, if God will, multiplied

[1] 27 Hen. VI. c. i. [2] 33 Hen. VI. c. 5.
[3] 3 Edw. IV. c. 3. [4] *Id.* c. 2. [5] *Id.* c. 1.

in inhabitation, and by labour restored to their ancient joy and prosperity,

no alien shall export wool, and no wool shall be exported by any one, save to Calais. As regards the excluded manufactures—which include woollen and silk wares, laces, horse furniture, ironware, work in other metals, leather goods, cards, and so forth—the plea is that "artificers of manual occupations, men and women," throughout England, "be greatly impoverished and much hindered and prejudiced of their worldly increase and daily living" by imports of manufactured goods "whereof the greatest part in substance is deceitful and nothing worth in regard of any man's occupation or profit." The value of this latter plea may be gathered from the fact that the same Statute complains of the discredit done at home to English trade by putting rubbish in wool; while again in 1465[1] Parliament fixes the sizes of woollen cloths on the score that "the workmanship of cloths and things requisite to the same is and hath been of such fraud, deceit, and falsity that the said cloths in other lands be had in small reputation, to the great shame of this land." In these matters the honours were apparently even.

Further enactments against smuggling[2] tell the simple story of empirical trade policy; and a provision that woollen manufacturers alone shall have the right to make contracts for wool in advance tells how the trade interests operate.[3] Hostilities with Flanders further stimulate the policy of exclusion. The Duke of Burgundy having issued an ordinance "never to be repealed," excluding from his dominions all English cloth and yarns, Parliament retaliates by excluding from England all products of his dominions, excepting provisions, while all woollen cloths made in any country are similarly prohibited.[4] Another touch of primitive policy occurs in the enactment (made upon the bitter complaint of the "horners") that no horn shall be exported until after the home demand is fully supplied. Concerning such provisions it may be taken for granted that they were generally disobeyed. Within two years' time the over-

[1] Edw. IV. c. 1.
[2] Same Act, cc. 2, 3.
[3] c. 4.
[4] c. 1, § 7.

powering needs of trade sufficed to abrogate at once the "never to be repealed" edict of the Duke of Burgundy and the English retaliation: a new treaty of commerce is made in 1467, and traders are allowed free entrance on both sides, with reservation only of the right to veto export of provisions; while further Acts against smuggling, in 1472, reveal the failure of prohibitory legislation in general. In 1482, Richard III being concerned to win the favour of the trading classes, the law of 1463 is re-enacted for four years —a term extended in 1484 to ten years[1]—but the enormous list of prohibited articles is almost farcically significant of the extravagance of the scheme; and its failure must have been complete.

That failure is tacitly admitted in course of time. It is not easy to see, indeed, how the prohibitive policy could work while express reservation was made of the "liberties" vested in the Dean of the chapel of St. Martin's-le-Grand[2]—a reiterated provision which made the tenants of that foundation free importers as against all other traders,[3] until the privilege was repealed in the next century.[4] But even without such an anomaly to discredit it, the prohibitive policy injured too many traders and consumers to be successful; and in 1496 we find Henry VII arranging with the Archduke Philip the *Intercursus Magnus* between England and the Netherlands, whereby free entrance is given to merchants on both sides. In the same year it is enacted[5] that whereas foreign merchants who had been made denizens by letters-patent had abused their privilege to pass foreign merchants' goods as their own, they shall henceforth pay customs and subsidies as do strangers. This is in effect a permission of imports on a customs basis. The people of England being still behind those of several continental States in handicraft, the foreigners multiplied; till at length the insular spirit, of which we have seen the legislative ebullitions, took the form of a kind of popular plot to attack the foreign residents of London on May-day, 1517. The popular grievance was:

[1] 1 Rich. III. cc. 10, 12.
[2] 3 Edw. IV. c. 4.
[3] Macpherson, i. 676 and *note*.
[4] 14 Hen. VIII. c. 9; 5 Eliz. c. 8.
[5] 11 Hen. VII. c. 14.

how miserably the common artificers lived, and scarce could get any work to find them, their wives and children, for there were such a number of artificers strangers, that took away all the living in manner. And also how the English merchants could have no utterance [*i.e.* sale], for the merchant strangers bring in all silks, cloth of gold, wine, oil, iron, and such other merchandise, that no man almost buyeth of an Englishman. And also outward, they carry so much English wool, tin, and lead, that Englishmen that adventure outward can have no living. And farther . . . the strangers compass the city round about, in Southwark, in Westminster, Temple Bar, Holborn, St. Martin's, St. John's Street, Aldgate, Tower Hill, and St. Catherine's, and forestal the market . . . which is the cause that Englishmen want and starve, and *they* live abundantly in great pleasure. . . . And much more, for the Dutchmen bring over iron, timber, leather, and wainscot ready wrought, nails, locks, baskets, cupboards, stools, tables, chests, girdles, with points, saddles, and painted cloths, so that if it were wrought here, Englishmen might have some work and living by it.[1]

The former Acts prohibiting importation of foreign wares, accordingly, had failed of their purpose; and the temper now displayed towards foreigners tells of the inspiration at work all along. During the last week of April several men were imprisoned for attacks on foreigners; and an attempt by the Government on May-eve to check the plot in advance brought on a riot, in which the Compter prison and Newgate were broken up and the prisoners in question released; whereafter the houses of a number of foreigners were plundered. The guns of the Tower had actually to be fired towards the city before the authorities were able to check the riot and arrest some three hundred of the rioters. A number were tried, and condemned to be hanged, drawn, and quartered; but only one was executed. A lesson had been partly learned; and another was learned when, in 1537, an English Act of Parliament having absurdly prescribed the length and breadth for linens imported from Brittany, the French refused to be so regulated. Those linens having been normally paid for

[1] Hall's *Chronicle*, ed. 1809, pp. 586-7. Hall recites one or two obscure cases of personal grievance against foreigners, but they are such as to make it quite clear that jealousy of foreign imports and importers was the real ground of quarrel.

by English woollens, the English weaving and export trade was at a standstill, and the meddling Statute had to be repealed.[1]

The lapsing of the prohibitive policy, further, is implied in the Act of 1563,[2] which newly forbids the importation of girdles, rapiers, knives, gloves, stirrups, etc., etc. This was in effect a new measure of war; and the Duchess of Parma, as Regent of the Netherlands, retaliated by excluding all English goods from the ports in her jurisdiction. The "Merchant Adventurers of England" were thus forced to carry their cloths to Embden in West Friesland; whereupon Philip II. excluded them thence. Once more both sides suffered so much that they were glad to return to the basis of the *Intercursus Magnus*.[3]

Thus the nature of the impulses to a "protective" trade policy, and the evils of that policy, had been fully exemplified in the experience of the thirteenth, fourteenth, fifteenth and sixteenth centuries; and the foreign trade policy of Elizabeth's reign, in consequence, headed somewhat towards free intercourse.[4] But the habit of interference was far too deeply rooted to be yet eradicated; and the old tendency to protect one domestic interest against the rest came into play with new activity. One of the legislative features of the reign of Edward VI is a series of attempts to prescribe methods of production, Acts being passed to specify the proper ways of making malt, leather, cloth, and so on; and one measure[5] forbids the "engrossing" of tanned leather save by saddlers, cordwainers, etc. Then, in the first year of the reign of Mary[6] we have an Act declaring that by the operation of the former measure not only "many shoemakers and cobblers have been forced to give up their occupations," but "all kind of stuff made of leather is more slenderly and deceitfully wrought and made than ever before; nevertheless as dear or dearer." In the unsophisticated manner of the time it is further suggested that the former Act was "procured for the singular commodity of a few rich shoemakers and other

[1] 28 Hen. VIII. c. 4.
[2] 5 Eliz. c. 7.
[3] Macpherson, ii. 139.
[4] See above, p. 25.
[5] 5 and 6 Edw. VI. c. 15.
[6] 1 Mar. ses. iii. c. 8.

artificers, that are now common regrators and engrossers of leather." The Act of restriction is accordingly repealed. The possibilities of interested interference revealed by it, however, were not at an end. Even the Act limiting the restrictive powers of gilds had probably stood for the influence of classes who were galled by them.[1]

The policy of excluding foreign manufactures, too, was still persisted in. An Act of Mary's first year[2] confirming one of her father's reign, which had inferribly fallen into disuse, directs that "no man shall buy above one dozen hats or caps made out of this realm"; and an Act of Elizabeth, in the name of the all-pervading wool interest, insisted that English woollen caps should actually be worn[3] by all males above six, on Sundays and holy days, under penalty of a fine. The attempt to exclude foreign cutlery, too, is renewed.[4]

§ 2. *Early Monopolies*

Elizabeth in turn drifted into a policy of monopolies that caused profound discontent, which it needed all her prudence and her craft to allay by concession; and the continuance of the same policy by her successor did not a little to set up the strained relations between crown and commonalty which led to the Civil War. It is true that Elizabeth's first grants of special privilege (1565) were really patents for new inventions or methods rather than monopolies;[5] but after the death of Burleigh she quickly passed that dividing line—"at the importunity of her servants," according to the proclamation of her successor in 1603.[6] James doubtless acted by the advice of his council.[7] Monopolies had been granted in starch, tin, fish, cloth, oil, vinegar, and salt;[8] and when a Member of Parliament exclaimed, on hearing the list read over in the House in 1601, "Is not bread among them?" he struck the

[1] Cp. Cunningham, *English Industry and Commerce*, i. 521-3; Prof. Ashley, *Intr. to Eng. Econ. Hist.* i. Pt. ii. 145.
[2] 1 Mar. ses. ii. c. 11, confirming 21 Hen. VIII. c. 9.
[3] 13 Eliz. c. 19.
[4] 5 Eliz. c. 7.
[5] Macpherson, ii. 141.
[6] Cunningham, *English Industry and Commerce*, ii. (1903), 288, *note*.
[7] Gardiner, *History of England, 1603-1642*, i. 101.
[8] D'Ewes' *Journals*, p. 646.

keynote of a memorable debate.[1] But James in turn drifted in the same direction. In 1614 he raised a storm by granting a patent for the manufacture of glass, on the plea of encouraging industry, and giving a charter to a company formed for exclusive trading with France;[2] and in 1621 such monopolies and patents were declared to be far more numerous than in Elizabeth's last days.[3] The king recalled some of the most absurd,[4] but the evil subsisted; and, in the form of the monopoly of the East India Company, lasted till 1813.

At a time when interference with trade was part even of the populist tradition, it was a matter of course that kings should indulge in it to the limit of their safety. Even Burleigh, one of the most thoughtful statesmen of his time, not only meddled precariously in many trade matters,[5] but held absolutely (as did Raleigh) by the bullion delusion,[6] which was the basis of the whole mercantilist policy of the two succeeding centuries. Our economic historian, whose learning is so much more helpful to students than are his judgments, has put forth, in regard to that system, the singular opinion that, as its object was "securing power," its wisdom "is apparently justified by the striking development of national power which took place during the period when it lasted. England first outstripped Holland and then raised an empire in the East on the ruins of French dependencies."[7] This remarkable induction he gives as yielded by "the logic of facts," though he proceeds to indicate misgivings, as he well may. Seeing that France was as mercantilist as England, and yet lost her possessions, the "logic of facts" which enables professors at a pinch to turn protectionists would seem to prove both terms of a contradiction. And as Holland contrived to defeat Spain, she would seem to possess in turn the required vindication of her policy. English mercantilism is rationally to be judged by its traceable reactions on English life; and these leave small room for conflict of judgment.

[1] Hallam, *Constitutional History*, 10th ed. i. 259-361.
[2] Gardiner, ii. 237.
[3] Gardiner, iv. 1.
[4] *Id.* p. 85; Cunningham, ii. 287, *note*.
[5] Cunningham, ii. (ed. 1903), 63-74.
[6] *Id.* p. 71.
[7] Cunningham, ii. (1st ed.), 16-17.

It is a singular fact that while both Elizabeth and James thus incurred obloquy by granting the most questionable monopolies to courtiers, they both declined to give a patent to William Lee, the curate who, in the last decade of the sixteenth century, invented the stocking-frame. Elizabeth's first refusal, it seems, was made in a temper, because the machine made coarse woollen stockings instead of fine silk ones. But when Lee, in 1598, produced the silk stockings, she still refused a patent, and James took the same course, on the score that hand-knitters would be thrown out of work by it.[1] Here we have the true "Sisyphist" theory of industry, as Bastiat called it, set forth, too, by princes who actually did grant monopolies which restricted both trade and industry. The only possible explanation is that in the latter cases private interest—whether financial or personal—was strong enough to override the Sisyphist tradition. But the doctrine that labour must remain wasteful in order to keep people employed—a doctrine which would have condemned the superseding of the fire-drill by flint and tinder, and the tinder-box in turn by the lucifer match—remained a ruling principle of constitutional legislation in Britain long after British princes had ceased to dare to bestow monopolies.

§ 3. *The Woollen Trade*

The supreme example of protection as applied to one industry is the legislation in favour of the woollen trade which began in 1666, when it was solemnly enacted[2] by the Restoration Parliament that nobody should be buried in anything but wool, under a penalty of £5. It would have been equally to the purpose to provide that the required quantity of wool should be buried by itself, or burned; but the legislature showed no misgivings. As late as 1787 we

[1] *Dictionary of National Biography.* Henri IV had the sagacity to invite Lee to France, where the manufacture was set up at Rouen. After the assassination of Henri and the subsequent troubles, Lee died of grief about 1610; whereafter his workmen, being persecuted, returned to England, where they managed to set up the beginnings of the hosiery manufacture at Nottingham.

[2] 18 Ch. ii. c. 4.

find a historian of commerce pronouncing that "this is certainly a wise and salutary law, as it is a means of consuming a considerable quantity of our slight woollen manufactures; yet such is the vanity of too many that they will rather forfeit £5 than be instrumental in promoting our own most important manufacture."[1] This in an England where, for a century, cotton spinning and weaving had been employing labour, and where already the cotton manufacture absorbed an annual import of over ten million pounds weight of raw material.

Disobedience to the woollen law, of course, was common; so in 1678 the Act of 1666 was repealed, and replaced by one[2] of a more stringent kind, which established provision for its enforcement. Every parish incumbent was to investigate every burial, and certify as to the facts; and an army of searchers was established to do the work. The use of cotton continuing to increase, an Act was passed in 1700[3] "for more effectually employing the poor," which provided that all wrought silks, Bengals and so forth, from Persia, China, or India, also all calicoes printed there, should after 1701 be compulsorily re-exported. Later, all French cambrics, lawns, and calicoes, painted, printed, stained or dyed, and all wrought silks, were put upon the same footing, having to pay duty even for the purpose of passing through the port of London to another country. The merchants, writes Smith, "are afraid lest some of these goods should be stolen out of the warehouse, and thus come into competition with their own."[4]

It was in this generation that "some of the counties in the neighbourhood of London petitioned the Parliament against the extension of the turnpike roads into the remoter counties. These remoter counties, they pretended, from the cheapness of labour, would be able to sell their grass and corn cheaper in the London market than themselves, and would thereby reduce their rents and ruin their cultivation."[5]

[1] Anderson, *Origin of Commerce*, ii. (1787), pp. 487, 547. (Reproduced in Macpherson's *Annals of Commerce*, ii. 523, 592.)
[2] 30 Ch. II. c. 4.
[3] 12 Will. III. c. 10.
[4] *Wealth of Nations*, b. iv. ch. iv.
[5] *Id.* b. i. ch. xi. Pt. i.

This, one of the classic records of English protectionism, is to be paralleled in Dutch history by the narrative of the resistance of given cities to any improvement in the means of communication enjoyed by others. The motive operates alike in all countries.

"This wholesome law," says the old protectionist historian concerning the Act of 1700, "greatly revived the drooping spirits of our own silk and stuff manufacturers."[1] Nevertheless, by the same writer's confession, twenty years later the use of calicoes had become so general as to be a pretext for chronic riots among the silk and woollen weavers of London; whereupon a new Act was passed[2] prohibiting the wearing of calicoes, under a penalty of £5 to the wearer, and one of £20 to the seller. In the same sagacious Parliament it was further provided that no buttons or buttonholes should be made of "cloth or other stuff," in order that the consumption of raw silk and mohair yarn should be encouraged.

Protection was thus more fiercely applied in the interest of one or two home industries against others—to the extent of protecting A against B, and C against A—than against "the foreigner"; for in the year 1700, it being found that English prohibition of Flanders lace led to an exclusion of our woollens from Flanders, the former prohibition was repealed.[3] The pressure of the interest of the woollen trade, which was at this point bound up with that of the landowners, could force free trade in Flanders lace, as against the ostensible interest of English lace-makers; but no combination of English interests could yet avail against that of the landowners and woollen manufacturers. All the while the protected interest confessedly languished lamentably. In 1729 the protectionist Joshua Gee offers "reasons why the demand for our woollen manufactures do not increase," and confesses that France beats us in neutral markets.[4] The trade was, in short, being constantly and grievously injured by protective policy in general. In 1744 the author of the

[1] Anderson (in Macpherson, ii. 709).

[2] 7 Geo. I. c. 7.

[3] 12 Will. III. c. 11; cp. Smith, *Wealth of Nations*, b. iv. ch. ii.

[4] *The Trade and Navigation of Great Britain Considered*, 6th ed. 1760, pp. 69, 72 (ch. xxviii.).

Essay on the Causes of the Decline in the Foreign Trade points to "the many petitions to Parliament complaining of the decay of the woollen manufacture," and "the starving condition the poor are reduced to in the clothing counties"; and he too points to an explanation. The prohibition of the import of Irish cattle had set Irish farmers upon breeding sheep, to produce wool; and when that industry in turn was struck at by a brutal law to prohibit the export of Irish woollen manufactures, the Irish had perforce to sell their wool cheap to France, whereby the French woollen trade was greatly advantaged as against the English.[1] At the same time the constant and blind effort to exclude foreign goods necessarily restrained the exportation of all English goods save those which were produced under special advantages. The result was that, as the Essayist just quoted puts it, "'tis felony in England to export wool; and yet they who furnish all the world with wool have least of the manufacturing of it among themselves."[2] As late as 1792 Arthur Young notes that "of all the great fabrics of England that of wool is *least* prosperous, and has been *most* complaining, of which the proofs are before the public: the policy therefore has failed."[3]

§ 4. *The Silk Trade*

Not dissimilar was the history of the silk trade, which we have seen obtaining repeated protection in the fifteenth century. In 1504, again, there was prohibition[4] of the import of silk or part-silk ribbons, laces, girdles and corsets, with freedom of trade, even on the part of foreign importers, in other silk articles, and in raw and unwrought silk. As Bacon explains, the goods prohibited were the only forms of silk stuff then manufactured in England; and the object was to protect what manufacture did exist.[5] It will be observed that the previous measures of protection had done nothing to extend the business of silk-making; and it would seem to

[1] *Essay* cited, ed. 1756, p. 63. [2] *Id.* p. 33.
[3] *Travels in France*, Bohn ed. 1890, p. 354. [4] 19 Hen. VII. c. 21.
[5] *Life and Reign of Henry VII.* Ellis and Spedding's ed. of *Works*, vi. 233.

have been the example of France, where the manufacture was introduced about 1520, and the coming in of French refugees under Cecil, that stimulated it in England.[1] In 1629 the silk-throwsters of London were incorporated;[2] and in 1661 they presented a petition in which they claimed to employ above 40,000 men, women and children. The result was a statute imposing an apprenticeship of seven years upon all silk-workers.[3] Many more interferences followed, the trade making no great further advance till the arrival in 1681 of the French refugees who established themselves in Spital-fields,[4] there doing for the silk trade in particular what their kindred did for so many other industries in Britain.[5] Still, however, much silk was imported from France—an average of £712,000 worth in each of the three years 1686-88[6]—though a great importation of raw silk from India was noted as early as 1681;[7] and protection was resorted to as a matter of course, especially as against France, the then "natural enemy," all trade with whom was vetoed, first in 1678, and again in 1689.[8] And as raw silk was a French product, this was included in the veto.

In 1698 the Royal Lustring Company obtained a monopoly;[9] but the fashion changed, and the Company collapsed before the term was up.[10] In 1713 the Company of Silk Weavers in London, while alleging that their trade was twenty times as great as it had been in 1664, petitioned against the articles of the Treaty of Utrecht which, proposing a reciprocity of low duties, favoured a renewal of trade between France and England.[11] Addison helped the silk-weavers with his satire, *The Memoirs of Count Tariff*; and on their appeal and other grounds the articles in question were rejected by Parliament. The introduction in 1718 of water-power machinery, on an Italian model, for silk-throwing,[12] might have done much under a free system; but in 1722 it

[1] Cunningham, *English Industry and Commerce*, ii. (3rd ed.), 84; Macpherson, *Annals of Commerce*, ii. 59, 191, 231.
[2] Macpherson, ii. 359.
[3] 13-14 Ch. II. c. 15.
[4] Cunningham, ii. 330; Macpherson, ii. 617.
[5] Cunningham, ii. 605.
[6] Macpherson, ii. 620.
[7] *Id.* p. 604.
[8] Cunningham, ii. 458-9.
[9] 9-10 Will. III. c. 43.
[10] Macpherson, ii. 701.
[11] *Id.* iii. 34.
[12] Cunningham, ii. 519.

was enacted that whereas the trade "has of late years been greatly improved," and is hindered by duties both on raw and thrown silk, bounties shall henceforth be given on exportation by way of drawbacks.[1] Naturally this did little good; and the lowering in 1749 of the duties on raw silk from China, Carolina and Georgia gave little help, the bulk of the importation being from or through Southern Europe.[2] The explanation of the policy followed was that the woollen trade was jealous of that in silk as of that in cotton,[3] and strove to keep silk for home consumption at a high price, though prepared to tolerate bounties on export.

Under this enlightened handling the silk trade throve as might be expected. In 1764 the Lords of Trade were petitioned by the silk-weavers, the throwsters and the silk-mercers severally, the first demanding to be protected by double duties against importation of foreign wrought silks and velvets; the second pleading for lighter duties on raw silk; and the third asserting that there was plenty of employment but lack of labour to do the weaving work.[4] Thus instructed, the Lords of Trade left things as they were, and early in 1765 the journeymen weavers made vast and riotous demonstrations against the importation of French silks; whereupon the entry of silk stockings was prohibited.[5] The old Act of Henry VII was made more severe. Next year the prohibition was extended to all foreign silks and velvets save those of India and the silk crêpes and tiffanies of Italy, which were taxed extra.[6] At the same time (1765) the duties on raw and thrown silk were somewhat lessened and the drawback on exports abolished, save in the case of goods sent to Ireland and not to be re-exported. But still the trade languished; and in 1769 there were more sanguinary riots among the silk-weavers, who had now established trade unions to raise wages and to make levies on those at work,

[1] 8 Geo. I. c. 15.

[2] The Navigation Act of 1651 expressly exempted silk, which might be brought from Holland or Flanders if the importers made oath that it had been brought overland from Italy. Cunningham, ii. 209. Cp. p. 250.

[3] Compare Cunningham, ii. 463, 516-17.

[4] Macpherson, iii. 407.

[5] 5 Geo. III. c. 48.

[6] 6 Geo. III. c. 28.

in aid of those on strike.[1] Thenceforth the legislation affecting the trade combined the prohibition of imports with the prohibition of combinations among the workmen.[2] But in 1784 new duties were imposed on raw silk; in 1786 Pitt left in force the prohibitions against importation of silk goods while making his reciprocal treaty of commerce with France; and in 1795 new duties were imposed on raw and other forms of silk. Thus, like the other protected trades, that of silk subsisted in shallows and miseries until the dawn of the free trade era. In 1793 it was estimated that in Spitalfields alone there were 4500 looms standing idle. In the period from 1776 to 1799 the unaided cotton trade, burdened by the duties on raw material, increased its imports of that material from 4·4 to 26·4 million lbs., and even the imports of Spanish wool rose from 1·5 to 3·8 million lbs., while that of silk increased hardly at all,[3] the cause being as much the paralysis of progress by the prohibition of competitive imports as the duties on the raw material. The imbroglio of trade jealousies, encouragements, discouragements, burdens, and prohibitions checked development even at a time when new forces in the form of machinery were creating new possibilities of expansion.

As regards the quality of the products, the backwardness of the protected silk trade from first to last was notorious. Huskisson declared in 1824 that "to the prohibitive system it was to be ascribed that in silk only, in the whole range of manufactures, we were left behind our neighbours."[4] As an *Edinburgh* reviewer argued unanswerably in the following year, there was no reason to doubt that if silk had been treated as was cotton—if the manufacturers had been allowed to import their raw material free "and been obliged to depend on their own genius and invention for their ascendancy in the home as well as the foreign markets"—we should have "made equally rapid advances in both these great departments of manufacturing industry."[5] All the while, by the

[1] Macpherson, iii. 491.
[2] *E.g.* Acts of 1777, 1782, 1789.
[3] Macpherson, iv. 470.
[4] Speech of March 24, 1824, cited in *Edinburgh Review*, vol. xliii. p. 83.
[5] *Edinburgh Review*, vol. xliii. November 1825, p. 81.

testimony of Bowring, given before the Parliamentary Committee of 1831-32, the unquestioned superiority of the silk manufacture in France was due to the fact "that it is, of all the manufacturing interests of France, the least protected."[1] Competition had there spurred alike invention and artistic effort. Lyons had a school of art largely devoted to eliciting such effort in connection with manufactures, and successful designers rose to partnerships. Needless to say, no such developments were attempted by the protectionists of England.

§ 5. *The Scramble of Interests*

Such facts as the foregoing are wholly ignored in the heedless sketch of English industrial evolution which in Friedrich List's *National System of Political Economy* does duty at once for history and historical philosophy, and has served to educate a generation of protectionists in Germany. The theory there set forth is that "England" in the eighteenth century was skilfully building up equally each of her great staple industries by vigilant Protection. In reality there was not in existence any such political organisation as List imagines. There was merely a chronic clamour of self-seeking classes in Parliament,[2] whose tribes, as Smith noted, "became formidable to the Government, and upon many occasions intimidated the legislature."[3] The woollen trade would gladly have strangled the cotton trade altogether, and did its best to do so. If the interest of England as a whole was ever considered, it was by men, in Parliament or out of it, who were powerless against the banded landlords and the shouting trades, or were themselves bewildered by the sham statistics and pseudo-science of traders who, as Smith put it, knew how trade enriched them-

[1] Vol. xix. of Committee Reports, 1831-32, p. 520.

[2] The protectionist Gee on this head agrees with Smith. He observes that the merchants in the House of Commons, "by the mutual opposition of those who are engaged in different interests, rather puzzle than give light to the argument in debate." Few traders, he adds, "however knowing and skilled in their own way, give themselves the trouble to look further than what concerns their own particular interest." *The Trade and Navigation of Great Britain Considered*, end.

[3] B. iv. chap. ii.

selves, but had no concern to know how it enriched their country.[1] But indeed not one man in a million had any scientific comprehension of the whole problem; and country gentlemen fought for their pockets exactly as did the manufacturers.

§ 6. *Early Corn Laws*

The proof of this was the addition of a system of bounties on corn exportation to that of the Corn Laws. In the chance-medley of legislation for trade, as Smith points out, an Act of 1663[2] wrought partially for freedom by modifying the law of Edward VI against engrossing of corn, to the extent of allowing dealers to buy when wheat did not exceed 48s. the quarter, provided that they did not sell again in the same market within three months. But in 1670[3] there was laid upon imported wheat a duty of 16s. when the home price did not exceed 53s., and a duty of 8s. when the price was between that and 80s. So glaring a measure of class favouritism was modified in times of distress by temporary statutes;[4] but the principle of protection to landowners was thus clearly established. In 1660, on the other hand, exportation of corn was permitted[5] when wheat did not exceed 40s. the quarter; in 1663 the liberty was extended to the price of 48s., and in 1670 it was made unconditional. Thus all pretence of concern for the consumer had been over-ridden by the self-interest of the bulk of the landed class, under the plea, of course, that all increase of total home production of corn was to the national advantage as constituting a security against dearth. Nominally there was a poundage payable to the king on exported corn, but it amounted only to 1s. per quarter on wheat.

At length, in the first year of William and Mary, the landed interest was able to go to the length of establishing a bounty on all exportation of wheat, and the small export

[1] *Wealth of Nations*, b. iv. ch. i. par. 10. The trade arguments were addressed, in Smith's words, "by those who were supposed to understand trade, to those who were conscious . . . that they knew nothing about the matter."

[2] 15 Ch. II. c. 7.

[3] 22 Ch. II. c. 13.

[4] Smith, b. iv. c. 5.

[5] 12 Ch. II. c. 4.

duty was taken off where the price was below 48s. Ten years later it was abolished. The economic reasoning relied on to justify the bounty was indeed more complex than that which accounted for the old prohibitions of export. It was to the effect, as aforesaid, that every extension of agriculture was a further guarantee that the nation could feed itself. But the real motive was, of course, sheer class gain and trading profit; and while the bounty never availed to cheapen corn to the English people, since it always carried off the surplus in years of plenty, it actually did enable the Dutch at all times, and the French in times of dearth, to buy English corn cheaper than the English did.[1] Thus the principle of "defence" was stultified from the first.

Some stimulus to commerce and industry was given by the Peace of Paris in 1763; and some influence, further, had been gained by the writers on the side of free trade, both French and English; so that in 1766, a year of dearth, there began a series of temporary enactments suspending the high import duty on corn, till in 1773 there was passed a law reducing it to a nominal tax of 6d. when wheat was at or above 48s., and providing that bounty and exportation were to cease together at a price of 44s. As this prevented the former artificial increase of prices, the landed interest of course protested, alleging all manner of harmful results. We have the express testimony of a Committee of the House of Commons in 1821, substantially representing the landed interest, that the period before 1773 was one of "comparative stagnation in our agriculture," while that from 1773 to 1791 was the one of "most rapid growth and improvement."[2] But improvement had meant outlay; and what the landlords of all periods seek first is rents. Finally, when the free trade movement, which reached its height for that period in Pitt's treaty with France in 1786, was definitely arrested by the French Revolution and the consequent reaction, it became easy to pass in 1791 an Act imposing a prohibitory duty of 24s. 3d. when the price of wheat was under 50s., with a duty of

[1] Cp. *An Essay on the Causes of the Decline of the Foreign Trade* (ascribed alternately to Decker and Richardson), ed. 1756, p. 65.

[2] Report quoted by Villiers, *Speeches*, p. 243.

2s. 6d. on prices between 50s. and 54s.; and allowing the 6d. duty to apply only above the latter price. Thus, in a period of reaction, was riveted the particular protective duty which ultimately became the means of most completely discrediting Protection.

§ 7. *Fishing Bounties*

Among the minor exploits of British protectionism in the eighteenth century may be noted the operation of the system of bounties to the herring fishery. Not content with paying a bounty on the fish, which worked out at about the equivalent of their price—from 17s. to 27s. per barrel—the Government gave a tonnage bounty, "proportioned to the burden of the ship, not to her diligence or success in the fishery"; whereupon, naturally, vessels were fitted out "for the sole purpose of catching not the fish but the bounty. In the year 1759, when the bounty was at 50s. the ton, the whole buss fishery of Scotland brought in only four barrels of sea-sticks [herrings cured at sea]. In that year each barrel of sea-sticks cost Government, in bounties alone, £113 : 15s.; each barrel of merchantable [repacked] herrings £159 : 7 : 6."[1] The bounty to the "busses," further, was a direct discouragement to the boat-fishery, which did not share it, but which was the more suitable to the industry. The boat-fishery, accordingly, was for the time destroyed. As a result of all the expenditure in bounties there was, of course, no lowering of price, and apparently no improvement in the fishery; for a number of joint-stock companies established to exploit the bounty mostly lost their capital and disappeared.[2]

§ 8. *English and Irish Trade*

It may not be uninstructive, further, to take account of the application of the ruling ideas concerning the control of trade to the relations of England and Ireland on the one hand and those of the mother country and the colonies on the other. Apart from the penal laws directed against the

[1] *Wealth of Nations*, b. iv. ch. v. [2] *Id. ib.*

Roman Catholic religion in Ireland from 1663 onwards, and the Anglican animosity towards the Presbyterians of Ulster, the whole anti-Irish policy of the seventeenth and eighteenth centuries is simply a process of "protecting" English producers against their fellow-subjects across St. George's Channel. This has, indeed, been latterly urged in excuse of the procedure, as against the charge of deliberate wickedness. English administrators, it is argued, were seeking not to ruin Ireland but to safeguard English interests. So be it. We are here concerned not to comment on the moral inspiration of English policy in Ireland in the past, but to note how the spirit of Protection sufficed to carry English statesmen, for more than a century, as far towards the economic ruin of Ireland in every direction as their unintelligent measures could compass. They certainly contemplated the suppression, as far as possible, of every species of enterprise in which Irishmen promised to compete with Englishmen: that is to say, to keep one part of the United Kingdom in primitive penury in the supposed interest of the "predominant partner." There was no idea, in the legislation in question, of developing Ireland upon one line while England developed upon another. Strafford, indeed, fostered the Irish linen trade while deliberately repressing the rising woollen manufacture; and while showing no scruples on the latter score, he resisted the attempts of the home Government to restrict Irish exportation in general in the interest of English trade.[1] But the ruling opinion in England, once the protectionist view of things had taken general hold, was that all Irish trade should be subordinated to English. The injustice can be seen rooting itself, as it were, in the soil of economic pseudo-science. "Until the Cattle and Navigation Acts of 1663 there was no Act on the Statute Roll for laying a single restraint on the trade and manufactures of Ireland, or for imposing any duty on the manufactured products of Ireland

[1] Cunningham, *Growth of English Industry and Commerce*, ii. 868-70; Gardiner, *History of England, 1603-1642*, viii. 39; Lecky, *History of Ireland in the Eighteenth Century*, i. 175; Miss A. E. Murray, *History of the Commercial Relations between England and Ireland*, 1903, p. 97. Gardiner and Lecky credit Strafford with founding the linen manufacture. It existed, however, long before his time. Cp. Lecky, i. 32, 178.

when imported into England."[1] The protective Acts of the Yorkist and Tudor kings treated Ireland as part of the kingdom, even when English artisans complained of Irish competition.[2] But after the Civil War there had grown up in England a medley of animosities towards Ireland and her medley of inhabitants; on the part of the mass of Englishmen towards the Irish Catholics; on the part of Royalists towards the host of Cromwellians who had been settled on confiscated Irish lands; and on the part of a number of English nobles towards the Duke of Ormonde, who possessed vast Irish estates, and who as Lord-Lieutenant sought to guard Irish interests; and, yet further, towards the Crown, which stood to gain an influence through any development of Irish wealth.[3] When, accordingly, in the peace after the Restoration, an outcry began to arise in England against the importation of Irish lean cattle,[4] Parliament readily passed a Bill prohibiting it between July 1 and December 20 of each year.[5] The immediate effect was severe distress in Ireland, the Cromwellian settlers being perhaps the hardest hit.[6] Yet in 1665 the English cattle-breeders, pleading low prices and falling rents, petitioned for a complete exclusion of Irish cattle; and though the Bill to that effect was rejected by the Lords, another was carried in the following year.[7] This Act vetoed the importation from Ireland of cattle, sheep, swine, beef, and pork; and in 1668 and later further Acts extended the prohibition to Irish mutton, lamb, butter, and cheese.[8]

As any sound economist could have foreseen, this legisla-

[1] Miss Murray, as cited, p. 6. Even the Navigation Act of 1663, though it did not name Ireland as sharing in the privileges conferred on England, did not exclude her; and her trade with the colonies still continued. Lecky (*History of Ireland in the Eighteenth Century*, i. 174) is in error in stating the contrary. Miss Murray states the facts on p. 41.

[2] Cp. 3 Edw. IV. c. 4, and 4 Edw. IV. c. 1.

[3] Cp. Cunningham, ii. 371-3.

[4] There has been some confusion as to whether it was fat or lean cattle that were in question. Cp. Cunningham, ii. 373, and Miss Murray, pp. 24, 29, 40.

[5] 15 Ch. II. c. 8.

[6] Cunningham, ii. 373.

[7] 18 Ch. II. c. 23.

[8] 20 Ch. II. c. 7; 22 and 23 Ch. II. c. 2; 32 Ch. II. c. 2.

tion soon recoiled upon England. English meat prices rose rapidly, and the pasturers had to pay exorbitant prices for Welsh and Scotch lean cattle; while the Irish, driven to fattening their cattle, developed a foreign trade in meat and dairy produce, hides and tallow, which soon competed successfully with that of England.[1] Not only on the Continent but in the colonies the new Irish produce undersold the English, and Irish shipping began to multiply while the English began to lose ground. Of necessity, Irish importation from England further declined, and not only foreign but English ships began to victual in Ireland by preference. Yet further, the veto on Irish exportation of sheep led to an increased breeding of Irish sheep for wool, and to an export of that which lowered English wool prices, while the Irish began to develop rapidly their woollen manufacture in rivalry with the English.[2] In 1660 and 1662 all export of English and Irish wool to Scotland or to foreign countries had been prohibited,[3] and now it was feared to shut out Irish wool from England, lest it should be smuggled to foreign countries or worked up[4] in Ireland. The baffled protectionists of England sought, however, to develop the Navigation Laws to the injury of Irish trade; and the Acts of 1670 and 1671 provided that a large number of the main articles imported from the colonies should not be carried thence to Ireland save through England.[5] Meantime, Scotland and Ireland excluded each other's products; Scotland first prohibiting Irish cattle, beef, and corn, and Ireland the linen, woollen, and leather manufactures of Scotland. The principle of Protection was in full sway, province legislating against province, and the predominant partner at once intensifying every centrifugal tendency and checking its own powers of commercial and agricultural development in the effort to injure its dependencies. For, all the while, English

[1] Miss Murray, as cited, pp. 33-35, and refs.; Thomas Sheridan in vol. entitled *Some Revelations in Irish History*, ed. by Saxe Bannister, 1870, p. 142.

[2] Miss Murray, pp. 35-41, 53-54. Cp. Cunningham, ii., 374-6.

[3] 12 Ch. II. c. 32.

[4] Miss Murray, p. 46.

[5] 22 and 23 Ch. II. c. 26. In the eighteenth century many more articles were put in the same category.

rents did not rise, and agricultural distress was widespread. Roger Coke, writing in 1671, speaks of "thousands of farms thrown up since this Act" of 1663; and of thousands of which the rent had to be "abated, some above $\frac{1}{6}$, others above $\frac{1}{4}$, others above $\frac{1}{3}$; some, I know, which after two years lying waste, are abated one-half."[1]

The basest blow of all, however, was yet to come. After the Revolution of 1688, Ireland, after suffering, as before, more than either England or Scotland from stress of strife, began rapidly to recuperate; and in the years 1696-98 the total trade was found to have greatly increased, largely by reason of the expansion of the woollen manufacture. The English manufacturers accordingly began to petition that such burdens should be laid on the Irish trade as would neutralise its natural advantages. The result was that at the beginning of 1698 the Irish Parliament was actually called upon, through the English Commissioners of Trade and Plantations, to pass a Bill imposing an export duty of 43½ per cent on Irish broadcloth, with proportionate export duties on other stuffs. Over this monstrous demand even the subservient packed Parliament of Dublin naturally hesitated, and the matter stood still. Six months later, however, fresh pressure was applied; and on the pretence that if Ireland gave up her woollen trade England would encourage her hemp and linen industries, the Parliament of Ireland passed the measure which began the ruin of her woollen trade—an industry of far greater extent and importance. The first duties imposed were of 20 per cent on the "old" drapery goods, and 10 per cent on the new; and there seems to have been a confused understanding that these were to be merely "countervailing" imposts. No such promise was kept. In 1699 the English Parliament in turn passed an Act[2] absolutely prohibiting the export from Ireland of all goods made or mixed with wool. The woollen trade was thus effectually stifled; and on the other hand no adequate effect was given to the promise to encourage the linen manufacture. Ireland had been allowed[3] to export her hemp,

[1] Cited in *An Essay on the Decline of the Foreign Trade*, p. 59.
[2] 10 and 11 Will. III. c. 10. [3] 7 and 8 Will. III. c. 39.

flax, yarns, and linen to England duty free; and in 1705 she was permitted to send coarse linens to the colonies.[1] But in 1717 this permission was made conditional upon the admission of British linens into Ireland duty free;[2] though all the while Irish coloured linens were subject to a prohibitive import duty in England and Scotland. When, a generation later, Ireland sought to encourage her hemp industry by a bounty on exported sail-cloth, the British Parliament retaliated, and she was "not only prohibited from granting bounties on her own hempen manufactures" but "forced to admit British bounty-fed sail-cloth and canvas duty free,"[3] while a British Act further granted bounties on the importation of hemp from the American colonies.[4] Thus were the promises of 1698 fulfilled.

It was to no encouragement from England, and to no schemes of Protection by her own Parliament, that Ireland owed the final development of her linen trade in the eighteenth century—the one success which relieved the record of planned impoverishment and calculated depression. The factors were the energies of her people, withdrawn perforce from woollen manufactures, and such climatic advantages as she may have had for linen-making. It was in the natural course of things, therefore, that a determined movement for freedom of trade should arise in Ireland when the colonies, largely reinforced by Ulstermen whom England had taught to hate her, showed the way; and political necessity in 1779 extorted that freedom from the British Parliament. But in the very next year the British Government sought through the Lord Lieutenant to prohibit the export of Irish provisions from Cork; and in the short period of Irish independence prohibitive British duties on Irish goods played their part in driving the Irish Parliament to a similar though a more moderate policy.[5] Thus from first to last did the protectionist spirit generate alike political and economic evil[6] in the

[1] 3 and 4 Anne, c. 8.
[2] 3 Geo. I. c. 21.
[3] Miss Murray, p. 125.
[4] *Id. ib.*
[5] Miss Murray, as cited, ch. xi.
[6] It is sometimes argued by tariffists—though fear of Home Rule makes the plea unpopular with them—that under Grattan's Parliament protective

relations of the two countries, till at length the Rebellion of 1798 left a torn and exhausted Ireland to be included in a political Union which has not to this day evolved a unity either of interests or of feeling.

§ 9. *English and Colonial Trade*

In the case of the American colonies, as in that of Ireland, the evil begins in 1663, when the Navigation Act in effect provided that European goods should reach the colonies, and colonial produce the mother country, only in English ships—though they might be colonial built. Imports from the colonies were already subject to duty like those of foreign countries, one of the first Acts of the first Restoration Parliament having laid a duty of 5 per cent on all articles of merchandise imported into or exported from any British possession.[1] This policy was developed by the Navigation Acts, and again by the Act of 1672,[2] which subjected the trade of the colonies with each other to a tax equal to that levied on their produce in England. This policy subsisted without modification until in 1703 bounties began to be paid for the importation of colonial pitch and tar. In 1719 a parliamentary Bill was introduced proposing to encourage similarly the importation of timber, by way at once of producing return cargoes for British ships and diverting the Americans from manufactures. To make more sure of the latter object, however, clauses were inserted providing that no American should manufacture iron wares—that, as a colonial writer put it, "no smith in the plantations might make so much as a bolt, spike, or nail."[3] The House of Lords added a clause enacting that no forge should be erected in the colonies for making pig or cast iron into bar or rod iron.

duties greatly helped Irish commerce. A study of Miss Murray's narrative and statistics will show, on the contrary, that the expansion arose from the mere liberation of Irish trade, and had reached high-water mark before the protective duties (small in any case) were imposed.

[1] 12 Ch. II. c. 4.

[2] 25 Ch. II. c. 7.

[3] Macpherson, *Annals of Commerce*, iii. 72. This seems to be the origin of a phrase often ascribed, without a reference, to Chatham.

Naturally the colonists were glad to see the Bill dropped, preferring loss of facilities for exporting timber to loss of all power of iron manufacture.

In 1737 a petition was presented to Parliament by a number of merchants calling for encouragement of the importation of colonial iron and hemp in the interests of shipbuilding and naval power, the argument being now that there was no better way of discouraging the manufacture of iron wares in America than to encourage the production of pig and bar iron. The idea was a "colonial preference," an extra duty being laid on all foreign bar-iron save that coming from America, and the existing duty being repealed as regarded the latter. At the same time a duty was to be laid in the colonies on all iron imported there from Europe. Of course the ironworkers of England opposed the appeal, and the landlords, as owners of the woods, supported them; so that nothing came of the proposal,[1] for the time. In 1750, however, it was renewed by Charles Townshend, in a Bill to abolish the duty on colonial raw iron. At the same time the measure stipulated that no one in America should be permitted to erect a mill for slitting or rolling iron, or a plating forge to work with a tilt-hammer, or a furnace for making steel. But even this scheme was not sufficiently protective for the leading British interests. Not only did the ironmasters denounce it from their point of view: the tanners backed them on the score that a diminished consumption of British wood for the charcoal then used in iron-making would affect their supply of bark; and "the clergy and gentry foreboded injury to the price of woodlands"; while the ironworkers and traders of Birmingham, though favourable to the free importation of bar-iron, prayed, from "compassion" to the "many thousands of families in the kingdom who must be ruined" if Americans were allowed to attempt iron manufactures, that the proposed restrictions should be carried yet further, so as to "secure for ever the trade to this country." The House even divided on a proposal to demolish every slitting-mill then existing in America, and the project failed by only twenty-

[1] Macpherson, *Annals of Commerce*, iii. 214-15.

two votes. But a return of all existing mills was required, and a veto was laid on any increase of the number; while the importation of the raw colonial iron was limited to the port of London.[1]

The restrictions placed upon colonial importation and exportation had one great outstanding result—the habitual practice of smuggling by the colonists;[2] and this, on retrospect, can be seen to be the line of rupture between them and the mother country. It was the irritation caused by this natural reaction against the British policy that set Grenville in 1764 upon his plan of making all the naval officers on the American coast customs officers, with a share in all confiscated cargoes.[3] Their way of fulfilling their duties aroused new and deep exasperation, and they far outwent Grenville's aims. Despite the Navigation Acts, there had long subsisted a recognised trade between the British colonies and the Spanish possessions in North and South America, and further, between the former and the French possessions in the West Indies. This trade the new customs officers treated as contraband, making wholesale seizures. The outcry was such that the British Government authorised the trade,[4] proceeding further to allow bounties on importation of colonial timber, with permission to the colonies to sell it in Ireland, and in Europe south of Cape Finisterre. But in the very Act legalising the colonial trade with Spanish and French possessions, there was laid down the principle that a revenue must be raised in the colonies to defray the expenses of defending them. The mother country, avowedly holding and controlling the colonies in her own interest, insisted that they should pay her the cost of holding them; and new severities were planned to put down smuggling. Then came the Stamp Act, the beginning of the end.

Protection thus dismembered the empire. It is vain to affirm, as protectionist writers are still fain to do, that "the

[1] Bancroft, *Hist. of the American Revolution*, 1852, i. 70-72. Cp. Macpherson, *Annals of Commerce*, iii. 280; the *Commons Journals*, vol. xxv. pp. 1053, 1091, 1096; and Act 23 Geo. II. c. 29.

[2] Grahame, *Hist. of the United States*, 1836, iv. 169.

[3] *Id.* iv. 170 *sq.*

[4] 4 Geo. III. c. 15.

obstinacy of George the Third" was the disruptive force.[1] George did but persist in a course which grew spontaneously out of the whole trade policy of his kingdom; and had he been enlightened enough to wish to let the colonists manage their trade and fix their taxes in their own way, he would have been opposed by the most powerful interests of his own kingdom. Their theory of trade, conceived in egoism and born in ignorance, was the very engine of division, alike at home and abroad. Even as it maintained lasting hatreds and costly wars between the nation as a whole and foreign peoples—alike those of the same stock and religion and those of other stocks and creeds—it wrought the irretrievable schism between the mother country and her American colonies, and the still more tragical sunderance between the peoples of England and Ireland.[2] But at home, through all the machinery of social life, the tendency was the same.

§ 10. *Smuggling*

In nothing, perhaps, was the self-frustrative power of Protection so constantly seen as in the perpetual presence of the smuggling trade. We have seen it generated in Ireland and in the colonies, but it was no less active a force at home The "England" which retrospective protectionists suppose to have been collectively bent on "building up" industries was in nothing so much at one as in readiness to buy the imported goods which evaded the customs. Smuggling was in fact one of the great industries of the period,[3] though, as Smith notes, it was "the infallible road to bankruptcy,"[4] not because of lack of profit, for the profit was as nearly proportional to the hazard as in hazardous trades in general, but because of the habits it engendered.[5] The smuggler, as

[1] So Mr. Kirkup, *Progress and the Fiscal Problem*, 1905, p. 191.

[2] These conclusions I find anticipated by E. H. Roberts in his *Government Revenue*, Boston, 1884, p. 59, and by G. L. Bolen in *The Plain Facts as to the Trusts and the Tariff*, New York, 1902, p. 261.

[3] Defoe, in his *Tour*, pronounces it the one main industry of the south of England, from Thames' mouth to Land's End.

[4] *Wealth of Nations*, b. i. ch. x.

[5] Smith (b. v. ch. ii.) seems to think that it was the forfeitures and penalties which ruined the smuggler; but the escapes were always far in excess of the captures. Cp. *Social England*, v. 472.

such, had the general sympathy, the nation in the mass being sufficiently conscious of the moral merits of the protective system. As Smith put it, men perfectly disposed to respect the laws of "natural justice" made light of artificial vetoes; and "not many people were scrupulous about smuggling when, without perjury, they could find an easy and safe opportunity of doing so."[1] The "without perjury" is charitable, but the tradition concerning "custom-house oaths" is less so; and if, as Sir William Hamilton has affirmed, "England became the country in Europe proverbial for a disregard of oaths,"[2] the protective system assuredly had something to do with it. Exporting heavy goods, and importing light goods and liquors, Englishmen ran to smuggling as no other people did, unless it were their kinsmen in the American colonies.

In the nature of the case, the history of smuggling can never be adequately written;[3] but common knowledge justifies the assertion that it stood for an immense and far-reaching demoralisation.[4] "Agriculture suffered, for the wages paid by the smugglers were high. A man hired by a gang received half a guinea for each journey and 13 lbs. of tea, his horse and all expenses being found." The social historian can supply a map of the regular smuggling routes;[5] and it would seem as if, at some periods, the secret traffic in tea and brandy were greater than the open—if secrecy can be predicated of a trade which was at times carried on openly by gangs of from fifty to a hundred men. "In 1733, as we read, 'Smugglers being grown to such a degree of insolence as to carry on their wicked practices by force and violence, not only in the country and in remote parts of the kingdom, but even in the City of London itself, going in gangs, armed with swords, pistols, and other weapons, even to the number

[1] *Wealth of Nations*, b. v. ch. 2.

[2] *Discussions on Philosophy*, 1852, p. 454. Cp. p. 528.

[3] An official "Correspondence" on the subject was published in 1816; "Papers" in 1821; and many Excise Reports in 1833-36.

[4] Bowring in his evidence before the Parliamentary Committee of 1831-32 alternately argued that the smuggler was a "public benefactor," employing labour that would not otherwise be employed; that his work was destroying legitimate trade; and that it was profoundly demoralising. All three propositions were separately provable!

[5] *Social England*, as last cited.

of 40 or 50, by which means they have been too strong not only for the officers of the revenue, but for the civil magistrates themselves, who have not been able to put a stop to these pernicious practices even by the assistance of such regular forces as have been sent to their aid, and dispersed along the coast at the request of the gentlemen of the country.' The smugglers were in sufficient force to beat off the Government sloops. In the ten years before this date, 250 officers had been beaten and wounded; six had been killed outright. In the Report of a Committee of 1745, we read of gangs of smugglers numbering 40, 50, 60, 70, and even 90 men; the last-mentioned gang had 112 horses and a guard of 10 armed men.

"A report of 1783 states that the trade was carried on by vessels of from 30 to 300 tons, carrying from 12 to 100 men, and 6 to 24 guns. At this date the cargoes consisted chiefly of spirits, tea, tobacco, snuff, East India goods, wines, drugs, cambrics, laces, and silks. Smugglers could bid defiance to the revenue cutters; sometimes they would seize and scuttle them. To suppress the trade the Government employed 42 cruisers aggregating 4912 tons, with crews numbering 1421 men, and armed with 389 guns. Captures were not often made; but in 1784 a great prize fell to the lot of H.M. sloop *Orestes*—a vessel of 300 tons, with a cargo of tea, brandy, silk, and lace, the value being estimated at over £30,000. It was claimed in 1786 that smuggling, as a trade, had been in great part abolished. An Act of this year contained a multitude of regulations which it was hoped would render it next to impossible to smuggle the smallest article from on board a vessel. The hope was vain, for the very next year saw a new Act with a vast multiplicity of regulations. So it went on till there were at last on the Statute Book more than a thousand Acts relating to smuggling. In 1821 it was asserted in the House of Commons that at a single station there were 52 fishing boats engaged in smuggling."[1]

The humour of the situation was appreciably heightened by the fact that large quantities of silks were made in

[1] I quote from an article on Smuggling by Alfred Marks in the *New Age*, Dec. 17, 1903.

Spitalfields and Manchester for the smuggling market,[1] as to-day they are specially manufactured for "bargain sales." But this did not alter the fact that an immense amount of smuggling was done. Porter has shown that in the period from 1827 to 1843, when the repressive service was much better organised than it had been in the eighteenth century, the quantity of silk smuggled into England from France—as proved by comparing the goods entered in France for export with those entered at the custom-houses in England—was almost exactly equal to that which paid duty—3,153,020 lbs. of the former and 3,179,112 lbs. of the latter. The average duty during the period was nearly £1. Had it been 10s. the smuggling would probably have been given up; the revenue would have been as great; the cost of the repressive service would have been saved; and the public would have been saved an outlay of £38,618,708, which went to maintain a demoralising industry.[2]

In the case of other articles the proportion of smuggling seems to have been similar, according to the results arrived at by a careful student:—"In 1765 smuggling in spirits had greatly decreased, tea being the chief article. In 1781 smuggling had so increased that severer Acts were passed against the practice. Act followed Act, but smuggling still increased. In 1766 a careful calculation had been made of the quantity of tea imported from China; it was estimated at over fourteen million pounds. Of this amount not much more than five million pounds were consumed on the Continent, leaving nine million pounds for England, and of this the half was smuggled. In 1784 it was computed that less than eight million pounds out of a total consumption of eighteen millions paid duty. The loss to the revenue by smuggling was estimated at £2,000,000. To understand what this means we must remember that the whole revenue of the country amounted to little more than £15,000,000."[3]

[1] This at least was asserted in the evidence given to the Lords' Committee on the Silk and Wine Trade, 1821 (Second Rep. p. 26). Another assertion was that the bulk of the goods sold in London and other places as smuggled were of British manufacture; but this is incredible.

[2] *Progress of the Nation*, ed. 1851, p. 223. Cp. Bowring's estimate, given on p. 241.

[3] Art. on Smuggling, by Alfred Marks, above cited.

All this was, of course, economically only less monstrous a waste of labour than that caused by protection in general, and special demoralisation accompanied it. Men who began as adventurers ended as brutal ruffians; children were brought up to lying and spying; regular industry, slow at best to develop, was put at a discount by the pleasures and profits of the life of "free traders," as the smugglers of the age of Protection were called.[1] All the while, according to a well-known anecdote, the men who in Parliament voted for duties on imported goods had no scruple in buying goods which paid none. Something perhaps of "English hypocrisy," much certainly of English lack of lucidity, may be set down to the atmosphere of legislative unreason which surrounded English trade and industry for five hundred years.

§ 11. *Early Pleas for Free Trade*

In this long reign of error, indeed, there was not lacking rational exposition and argument to the contrary. At all times, probably, there was a perspicacious minority who realised the unwisdom of the prevailing laws concerning trade, but were powerless to enlighten the complacent ignorance of those who made them. Only when enlightenment reached a powerful king could it prevail against the brute forces of prejudice and class interest. Lesser voices were lifted in vain. As M'Culloch has pointed out, the official letter given to Sir Hugh Willoughby and Captain Richard Chancellour on the beginning of their explorations in 1553, the year of the accession of Mary, "evinces the most enlarged and liberal views of commerce, and would do no discredit to the statesmen of our own time."[2] But such views could not prevail in contemporary Parliaments. In the seventeenth

[1] From the story "Fair Trade and Foul Play" in Sir Walter Runciman's volume, *Looking Seaward Again* (Scott, 1907), I gather that the northern smugglers called themselves "fair traders" in the first half of the nineteenth century. In the eighteenth, however, that title was claimed by the regular dealers (Anderson, *Origin of Commerce*, 17, 89, iv. 554), the smugglers then using the term "free." Sir Walter Runciman's story, above cited, gives a remarkably vivid idea of the moral atmosphere of the "trade."

[2] Introd. to M'Culloch's ed. of the *Wealth of Nations*, 1839, p. xxv. M'Culloch quotes from the letter, as preserved by Hakluyt.

century it was generally admitted that the supremacy of the Dutch in trade was largely due to their low custom-duties; and in all countries enlightened men could appreciate the force of the argument of De Witt, that "navigation, fishery, trade, and manufactures, which are the four pillars of the State, should not be weakened or encumbered by any taxes;" but the reasoners could not prevail against use and wont in other lands. In 1677 there appeared in England a tract in which were set forth not only the benefits of free trade but the fallacy of the common theory that it was advantageous to import only durable commodities.[1] Years afterwards, Locke was still under the dominion of the old prejudice; and in 1678 the importation of French commodities was prohibited for three years; which prohibition, after being repealed, was re-enacted in the reign of William III., on the avowed ground that the trade with France was a "nuisance."

Again, Sir William Petty, in his treatise *On Taxes and Contributions*, published in 1667, laid down quite scientific doctrines as to labour and value; and in his *Political Anatomy of Ireland* (1691), discussing the evil law of 1664, prohibiting the importation of cattle and beef from Ireland, on the score of the trade interest of England, thus anticipates and summarises the scientific refutation of all Protection:—

> If it be good for England to keep Ireland a distinct kingdom, why do not the predominant party in Parliament, suppose the western members, make England beyond Trent another kingdom and take tolls and customs upon the borders? Or why was there any union between England and Wales? And why may not the entire kingdom of England be further cantonised for the advantage of all parties?[2]

And yet again, in the terse and masterly *Discourses on Trade* of Sir Dudley North, published in 1691, the whole logical problem of trade and currency regulation is luminously solved in the free trade sense.[3] But Petty could not convey enlightenment to the politicians of his day; and North's treatise, it seems, was designedly suppressed. It was not

[1] M'Culloch, as cited, p. xxvii.

[2] *Political Anatomy of Ireland*, ed. 1719, p. 34; cited by M'Culloch.

[3] See the extracts by M'Culloch, which are given also in his *Principles of Political Economy*, introd.

that these men were "mere theorists," unable to appeal practically to practical men. Petty, North, and the author of the tract of 1677, were one and all practical experts, knowing trade thoroughly from the inside, but capable of comprehensive views where the ordinary trader has none. The fatality was that unintelligent self-seeking prevailed by sheer force of numbers in the council-chamber, while the many, unwitting of their interest, were deceived.

The best that could happen was that occasionally one interest might be strong enough to overcome, not for freedom's sake, a stupid restriction, such as it might perhaps be still ready to impose on others. Thus, as we saw, the Parliament of 1663, which so notably injured English agricultural interests in the effort to protect them against Irish cattle imports, gave partial relief from the old laws against engrossers of corn, thus really helping agriculture. At times a trader suffering from stupid interference might be stimulated to think out the whole matter and reach a free-trade creed, as happened in the case of the anonymous author of *Considerations on the East India Trade*, published in 1701, who points out forcibly the essential folly of those theorists whom Bastiat long afterwards labelled the "Sisyphists," who make labour the end and not the means of the maintenance of life:—

"We are very fond," he writes, "of being restrained to the consumption of English manufactures, and, therefore, contrive laws either directly or by high customs, to prohibit all that come from India. By this time 'tis easy to see some of the natural consequences of this prohibition;—

"'Tis to oblige things to be provided by the labour of many, which might as well be done by few; 'tis to oblige many to labour to no purpose, to no profit of the kingdom, nay, to throw away their labour, which otherwise might be profitable. 'Tis to provide the convenience of life at the dearest and most expensive rates, to labour for things that might be had without. 'Tis all one as to bid us refuse bread or clothes, tho' the providence of God, or bounty of our neighbours, should bestow them on us; 'tis all one as to destroy an engine or a navigable river, that the work which is done by few may rather be done by the many."[1]

[1] M'Culloch, as cited, p. xxxiii.

But while, on mercantilist principles, the East India Company, with its strong influence, was able from the first to obtain exemption from the law prohibiting the export of bullion, on the score that the result of its dealings in India was a total gain in bullion,[1] the Company did not, of course, dream of giving up its monopoly of the Indian trade; and that subsisted till 1813, always relatively unprofitable as compared with lines of trade in which there was competition.[2] The more enlightened and scientific reasonings of economists, pointing towards freedom as the cure of many evils, appealed only to the more enlightened readers. It is true that the plain failure of Protection to secure prosperity gained attention for treatises such as the *Essay on the Causes of the Decline of the Foreign Trade*, published in 1744 and reprinted in 1756, and to Hume's *Political Essays*, published in 1752. But up till Hume's appearance in the field even the sounder writers—with the possible exception of North, and in some degree of Petty—had mixed much fallacy with their argumentation. Even Locke remained under the bullion delusion; and the anonymous essayist of 1744 propounds many erroneous theses. A rapid advance in economic science began with Hume; but the reaction against the French Revolution arrested all progress, and the nineteenth century began in political and economic obscurantism.

§ 12. *Summary*

The summary of our survey is that during the whole history of England, down to the beginning of the nineteenth century, every conceivable kind of blunder had been made in the regulation of trade and industry. Trade had all along been hampered by some form of unintelligent interference. It was fettered from the first by local, professional, and national jealousies and animosities. When the crown was not bleeding it of immense customs-duties, often taken by simple seizure, or stunting it by forcing it to pass through one or other remote and inconvenient staple, it was being bound by the restrictions set up by the unenlightened egoism of the gilds

[1] *Wealth of Nations*, b. iv. ch. i., near end. [2] *Id. ib.*

and other trade-unions of its own practitioners. The ruling motives all round are fiscal extortion and mutual malice. But even apart from malice, untold evil has been wrought throughout centuries by sheer delusion. Economic science could not well grow up before astronomic; and in the latter half of the seventeenth century the majority even of educated Englishmen still derided the doctrine of Copernicus. Even had the rulers of Europe had access to the counsels of scientific economists, even had men like Dudley North been at the council board of every king, no State could then have been ruled by their wisdom. Trade laws and fiscal systems perforce expressed the prevailing views of the trading or land-owning classes; and the summing-up of the whole chaotic mutation is: *the imposition of the unenlightened will of the strongest interest for the time being.* Now it is the fisc; now the gild; now the land-owning class as consumers; now the same class as producers; now the latter in combination with a class of manufacturers; now a combination of traders; and so on.

The bullion delusion maintains, century after century, an apparatus of law that visibly and constantly fails to do what it is planned to do; yet not till there arises an overwhelming consensus of scientific opinion on the subject in the nineteenth century is the passage of bullion unimpeded. The self-seeking of classes and interests is not less potent to misgovern. We have seen a long series of monopolies imposed on the community down till the last and most intolerable—that of the corn laws. Every abuse in turn is defended as vital to the welfare of the nation: every reform is denounced as an enactment of ruin. The navigation laws rapidly wrought great and demonstrable harm to the English trade; but, once established, they created vested interests; and these interests, backed up by plenty of ignorant prejudice, fought for them to the end. Contrasted with the actual sordid scramble of selfish separate interests—the long series of brutal exploitations of the public by gangs of intriguing traders and class combinations, the complete disregard of all existing economic science, the utter empiricism of the entire procedure—such a picture of connected and calculated national policy as is

drawn by List in his account of English commercial evolution is revealed as a mirage, in the style of the worst school of German historiography. In comparison, the procedure of Adam Smith, even when fallaciously speculative, is illuminating and helpful. The England of List's imagination, an entity with one continuous will and one high conception of national interest, conscious of destiny and sagaciously preparing for freedom by constraint, is as vain a chimera as was ever palmed off on unstudious credulity in the name of science.

It is not difficult, in view of the past, to see why free trade is but slowly won. To succeed, the principle must triumph over the desperate resistance of wealthy and powerful classes; for only such classes are ever able to secure positions of monopoly. Above all, it has to triumph over the fruitful medium in virtue of which all sinister interests are wont to thrive, to wit, Ignorance.

CHAPTER VI

DISTRESS AND UNEMPLOYMENT UNDER PROTECTION

If, after a survey of economic history down to the nineteenth century, any doubt can remain as to the fact that private and not public interest is the determining factor in establishing and maintaining protective systems, the fair-minded inquirer can hardly fail to be convinced by a study of the conditions of English life in the first half of the nineteenth century. In the last quarter of the eighteenth, despite hampering trade laws, and largely in virtue of new mechanical inventions, England had distanced all other countries in her staple manufactures. Increasing her manufacturing population more rapidly than agriculture could expand under normal conditions, she was in a position to buy with her manufactures the food that her own harvests might fail to yield. Now, if ever, it might be supposed that the fundamental fact of trade, the inevitableness of barter, would come home to the general consciousness. Pitt mastered it, and partly carried his point in the French treaty of 1786, against the resistance not only of normal Toryism, but of Fox and Burke, of whom it is hard to believe that they were not sinning against light.[1] Were it not for the outbreak of the French Revolution the

[1] Fox, remarks Mr. Hammond, "was not a free-trader" (*Charles James Fox*, 1903, p. 210); and Mr. Morley pronounces him (*Burke*, M.L. series, p. 125) "ostentatiously ignorant of political economy." But Burke was his mentor, and Mr. Morley notes (p. 127) Burke's "deplorable perversity" in opposing, "with as many excesses in temper as fallacies in statesmanship, the wise treaty with France, in which Pitt partially anticipated the commercial policy of an ampler treaty three-quarters of a century afterwards."

commercial gains[1] would probably have made the conviction general; but upon that cataclysm there followed a political reaction which for a generation checked every order of progressive thought, and in the reactionary period Protection was carried to the uttermost. The costs of war alone sufficed to put an end for a generation to experiments in the reduction of import duties. Pitt ceased to be a reformer, and the landowning interest became supreme, the manufacturers rivetting the corn laws by adhering to Protection on their own account.

Let it be assumed that, down to 1815, high corn prices had been in general the result, not of the corn laws, but of bad seasons and the state of war,[2] which made cost of transport enormously high.[3] According to protectionist reasoning, the resulting high prices of corn should have meant wealth and employment for the nation at large, especially as foreign competition in the home market was practically at an end.[4] In point of fact, England repeatedly reached during the war period the lowest depths of misery, as in the starvation of 1795[5] and the collapse of trade and industry in 1811, when "there was scarcely a cotton manufacturer in the kingdom who had not diminished by one-half the number of persons employed in his mills, and many of the smaller manufacturers had discharged their people altogether."[6] But, indeed, save in the rare years of cheap bread, commercial distress prevailed throughout the entire war, and trade oscillated between

[1] See p. 123.

[2] Tooke, *Thoughts and Details on the High and Low Prices of the Thirty Years, 1793-1822*, 2nd ed., Part II., § 8; Part III., §§ 2, 3.

[3] Tooke (*High and Low Prices of the Thirty Years, 1793-1822*, 2nd ed., p. 323) puts the cost in some cases at over 50s. per quarter. Yet "in the two years 1809 and 1810, when the power of Napoleon was at its height, when his will was law throughout the continent of Europe, and when his most strenuous efforts were directed to place England in a state of perfect commercial isolation, we imported from that continent 2,002,039 quarters of various kinds of grain, chiefly wheat, and of this quantity 988,898 quarters came to us direct from France and from the Netherlands, which then formed in effect a part of the French Empire" (Porter, note to his translation of Bastiat's *Popular Fallacies*, 1849, p. 162).

[4] Tooke, as cited, Part III., § 5.

[5] See Nicholson, *History of the English Corn Laws*, pp. 42-43, citing Cockburn's *Memoirs*, i. 63.

[6] Speech of the Chancellor of the Exchequer in 1811, cited by Tooke, p. 82.

speculative high prices and wholesale bankruptcy. Let us, however, separate the war period from that of peace, and, to trace the specific effects of sheer Protection on trade, industry, and employment, let us begin our survey in 1815. One fact will then be established, that under Protection there can take place an intensity of unemployment and misery such as has never been seen in a free-trading country.

It is in 1815 that the corn laws become definitely and aggressively the expression of the supposed interest of the agricultural class—that is, first and last, the landlords—considered as deserving of Protection against all the other interests combined. As one able and not intemperate writer put it in 1822, the Committee of Inquiry into agricultural conditions in 1813, "actuated by a mixture of ignorance and selfishness, hardly to be credited in men of their station in society, ventured to recommend the prohibition of import except when our own wheat should be at or above 105s. the quarter."[1] This was more than even a legislature of landlords dare venture on; but the protectionists, defeated then, returned to the attack. Sir Henry Parnell, chairman of the Committee of 1814, declared himself "the friend of free trade," but argued that *because* "the price of corn in England had risen higher than in any other country in Europe, in consequence of the interruption of late years of our communication with the continent," an "artificial system" must be set up by which those war prices should as far as possible be maintained.[2] The Minister Huskisson, a free-trader in theory, argued to the same end, but on the ground that "our commerce and manufactures were encouraged and forced by protections, by bounties, and by restraints on importation," and that agriculture was entitled to the same treatment. Thus the trading classes[3] were hoist with their own petard, and the arguments put forward by some for a free trade in corn alone were naturally disregarded. The best reasoning on the subject was that of Baring (afterwards Lord Ashburton)

[1] Joseph Lowe, *The Present State of England*, 2nd ed., 1823, p. 178.

[2] Charles Knight and Harriet Martineau's *History of the Thirty Years' Peace*, Bohn ed. i. 42.

[3] That is, the protectionists among them: many must already have been free-traders; witness the petition of London merchants to Parliament in 1820.

against the plea that high duties on corn imports would keep prices steady:—

"Steady prices," he insisted, "were never produced by restriction. Apply the doctrine of restriction to any one county in England, and it would be found that . . . bread would be alternately high and low, according as there was a good or bad harvest in that particular spot. . . . As the whole of England was to any particular county in this respect, such exactly was the whole of Europe as to England."[1]

It is noteworthy that four of the greatest landowning peers—Buckingham, Carlisle, Devonshire, Spencer—and three of the leading statesmen of the day—Grey, Grenville, Wellesley—had signed a weighty protest against the raising of the margin of free importation, which then stood at the price of 66s. per quarter of wheat. With Baring, they denied that such a measure could produce either abundance of supply or steadiness of price. Nevertheless, by a large majority of both Houses, the point of free importation was fixed at 80s. per quarter. Of all protectable products, grain is that of which the price can be furthest heightened without countervailing limitation of demand; and the landowning class, having the power to force up prices against all others, collectively used their power without scruple.

For the moment prices continued to fall because of a good harvest, which meant "the suffering of the landed interest;" but "the bad harvest of 1816 intervened, and gave a respite from that state of distress."[2] Before the respite the landlords had not only secured the removal of the property-tax from land, on the plea that land could then pay no rent, but demanded further protection.[3] The state of war had in fact done the usual work of protection, the result of prolonged high prices having been that "the race of small careful farmers vanished from the earth, and gave place to a legion of the most luxurious and insolent of all the class of getters of sudden wealth."[4] These were the men whom three good

[1] Knight, as cited, i. 43.
[2] Tooke, i. ed. 1824, p. 314. Cp. Knight, as cited, p. 48.
[3] Knight, as cited, pp. 33, 44, 46. [4] *Id.* p. 49.

harvests "ruined," and whom the corn laws were now shaped to restore, at the cost of those who had been "ruined" by the years of high war prices.

As all good economists could see, the imposition of enormous import duties on corn was quite certain in the long run to injure agriculturists. If the landlords had been the persons to suffer the injury it might be said of them that their avarice overreached itself. But it was the farmers who suffered. In a series of bad years the enormously high prices paid for wheat, whether during war time or under the high tariff, set them upon extending cultivation to poor soils and offering or agreeing to higher rents. In a run of plentiful years the low prices were "ruinous"; the poorer lands had to be left out of cultivation; the high rents had to be paid while the farmer could pay anything; and he went on till his capital was exhausted.[1] "Of late years," writes Lowe in 1822, "the income of farmers is in a manner suspended; and of the rents they at present pay, a large proportion is drawn from their capital."[2] Corn is, in fact, the product

[1] See the testimonies from farmers elicited by the Agricultural Distress Committee of 1836, and quoted by Villiers in the House of Commons in 1840. Speeches, People's ed., pp. 151-58. And cp. the citations in Tooke, *Thoughts on Prices*, i. (2nd ed.), 295-300, as to previous periods.

[2] Joseph Lowe, *The Present State of England*, 2nd ed., 1823, p. 141. See also below, p. 79. Professor Nicholson, in his *History of the English Corn Laws*, first casts doubt upon and then denies the commonness of agricultural distress under the corn laws. "For many reasons," he remarks, "the complaints of farmers on the depression of agriculture must be received with caution" (p. 169). Soon (p. 171) he is "strengthened in the belief that, on the whole, farming must have been *fairly* prosperous, in spite of the complaints of chronic depression;" and finally he is confident (p. 181) that "in spite of all the complaints of depression, the *enterprising* farmer was prosperous." The only reason adduced for thus discounting a great mass of testimony is Porter's remark (*Progress of the Nation*, ed. 1836, i. 48) that farmers must have been economically very different from other men if they wasted their capital in speculative extension of farming. This argument misses the problem. Farmers lost their capital because of the special allurements set up by protection and the fatality of rising rent. And gold-mining shows plenty of evidence of the tempting force of chance gains. Indeed, Professor Nicholson in a previous passage admits the facts: "Under the stimulus of high prices inferior land was cultivated. . . . The increase of supply . . . in good seasons led to a fall of prices that was to the producer ruinously low. . . . Farming became a highly speculative business, and, as usual, the speculator over-estimated his chances of success" (pp. 93-94). Quite so.

at once most capable of being forced to a high price by protection, and least capable of staying at that price, simply by reason of the incalculable variations of yield. Want of intelligence long kept the farmers blind to this plain truth; but the landlords, of course, were in a different position. In seasons of high prices they were able to raise rents; and in seasons of low prices they could go on exacting them until the farmers were drained. No class thought less of the public good. The landlords actually demanded that foreign corn should be no longer warehoused duty free, as had hitherto been done by way of rational provision against dearth; and they proposed to prohibit all imports of tallow, cheese, butter, rapeseed, and linseed.[1] They were able to raise the duties.

On the other hand, the speculative expansion of exports at the close of the war ended in total collapse. The high import duties, following on the state of war, had kept continental producers back; and our exporters, seeking to sell without buying, had to sell on the Continent and in the United States below their home prices;[2] as had already happened to them in the United States at the close of the War of Independence.[3] In the spring of 1816, accordingly, there was general unemployment and distress. It began on the land.

"Whole parishes," it was declared in Parliament, "had been deserted; and the crowd of paupers, increasing in numbers as they went from parish to parish, spread wider and wider this awful desolation." "In Suffolk nightly fires of incendiaries began to blaze in every district; thrashing machines were broken or burned in open day; mills were attacked. At Brandon, near Bury, large bodies of labourers assembled to prescribe a maximum price of grain and meat, and to pull down the houses of butchers and bakers. They bore flags with the motto, 'Bread or blood.'"

[1] Knight, pp. 52-53.

[2] *Id.* p. 53.

[3] Levi, *History of British Commerce*, p. 57; Ugo Rabbeno, *The American Commercial Policy*, 2nd ed., 1895, pp. 105-6, 153; Professor R. E. Thompson, *Political Economy*, Philadelphia, ed. 1882, pp. 343, 349; and Brougham, as there cited. A similar speculative rush of exports took place when the French were driven out of Portugal in 1811 (Tooke, *Thoughts on Prices*, i. ed., 1824, p. 89), probably with similar results. See, again, p. 84, as to speculative exports to South America in 1810.

In the district of Ely the extensive rioting led to thirty-four death-sentences, of which five were carried out.

Soon the distress reached the miners and iron-workers, those of Staffordshire being reduced to utter destitution, and those of Merthyr being little better off. In the Loughborough district, the "Luddites," who had begun machine-breaking in the distress of 1812, resumed operations, seeing in machinery the cause of a distress really resulting from systematic strangling of production. In Glasgow and Dundee the starving poor rioted with hardly less violence. And the upper classes could but set up inadequate subscriptions and still more inadequate relief works.[1] It was due to Cobbett and not to the Government that the distressed folk began to turn politicians instead of rebels.[2] The outstanding facts of the case were that wheat in 1816 was at 103s. 7d., and that in 1817 it rose from 104s. to 112s. 8d. This, of course, was far above the limit of free importation; but the raised duty had checked foreign growers, and had at the same time checked trade.

And we see the check to trade persisting year by year. Depression and unemployment are the chronic symptoms of the system. In 1806 the mills of New Lanark, under the management of Robert Owen, were closed for a period of four months, in which he achieved the feat of paying his hands full wages:[3] and at other times, while keeping the mills going, he had to turn away many applicants for work.[4] In 1818 the cotton spinners of Warrington brought before the then youthful Robert Peel this account of their trade conditions:—

> The principal cotton mills here work from half-past five in the morning till half-past eight at night, so that the poor children are called out of bed at five, and it is nine at night when they get home, some of them being under six, many under eight years of age. . . . We understand Mr. —— is intending to send a petition

[1] Knight, pp. 61-70.

[2] Dunckley (*The Charter of the Nations*, 1854, p. 132) gives the credit to Huskisson's reforms; but these did not suffice to put comfort in the place of distress.

[3] Lloyd Jones, *Life of Robert Owen*, ed. 1905, p. 66; Podmore, *Robert Owen*, 1906, i. 84.

[4] Podmore, as cited, i. 213.

against the Bill, though his factory has not worked ten hours per day upon an average for the last three years, sometimes stopping two or three days in a week, sometimes a week or a fortnight at once, and at other times working eight hours per day, just as he finds a market for his goods. When the trade goes well he compels them to attend fourteen to fifteen hours per day. . . . He has now twenty-seven persons, from six to twenty-one years of age, for 27s. per week, that is one shilling each upon an average.[1]

In 1820, a writer in the *Edinburgh Review* thus describes the industrial conditions in Lancashire and Yorkshire, and at Coventry and Nottingham :—

In Lancashire the weavers are divided into different classes ; and wages vary from 6s. to 12s. a week for fifteen hours' labour a day. They are nearly destitute of fuel and clothes ; their bedding consists only of sacks filled with straw and chips ; and their food is at once deficient in quantity and of the coarsest and least nutritive kind. But the condition of the children is chiefly calculated to excite sympathy and compassion. The necessities of their parents had occasioned their being employed in factories from the tenderest years ; and at this moment a very large proportion of the half-starved children of the manufacturing districts are shut up for twelve or sixteen hours a day, to the irreparable injury of their health or morals, for a recompense of not more than 2s. or 3s. a week. The distresses of the cloth weavers of Yorkshire are, if possible, still more severe than those of the cotton weavers of Lancashire ; and the combined operation of taxation and the poor's rates has reduced the smaller proprietors and farmers nearly to the same hopeless condition as the manufacturers.

Perhaps, however, the silk weavers of Coventry and other places, and the frame-work knitters of Nottingham, have sunk the lowest in the scale of degradation. Last May, a petition was presented to the House of Commons by Mr. Moore, from the Mayor and Corporation of Coventry, stating that the poor's rates on the landed property in the district contiguous to the town amounted to 45s. per acre, and to 19s. per pound on the rents of the houses within the town, but notwithstanding this enormous assessment, the weavers were in a state of the greatest distress. Many thousands were absolute paupers, and depended entirely for support on the rates. Of those in employment, such as had frames of their own,

[1] C. S. Parker, *Sir Robert Peel*, 1891, i. 259.

and who worked sixteen hours a day, were only in receipt of 10s. a week; the second class, whose frames were furnished by the master manufacturers, earned in all about 5s. 6d.; and the third, or inferior class of workmen, only from 2s. 9d. to 1s. 6d. a week, or from 5½d. to 3d. a day. . . . It is universally admitted, that a falling off in the foreign demand for British manufactured produce is the immediate cause of the present want of employment, and, consequently, of the low wages of the manufacturers.[1]

Meanwhile, agriculture showed no permanent gain from the restriction of imports. "A great meeting of agriculturists had been held at Lewes on 3rd December 1821, the results of which had shown that, under the existing taxation, both local and imperial, little or no rent was in some districts obtainable."[2] In 1822 a new Committee sat to inquire into the "agricultural distress."

In 1822 some relief was given to commerce by a new modification of the navigation laws. Already, in 1815, as a result of the retaliation of the United States, those laws had been modified to the extent of allowing goods to be imported from the States in American ships; and in 1822 Mr. (afterward Lord) Wallace modified the law further by allowing to the remaining colonies greater freedom of intercourse with each other and with foreign countries by admitting Dutch vessels, and by allowing South American produce to be imported direct, instead of going, as formerly, through certain ports of Spain and Portugal. The result was an expansion of British trade.[3] In 1824-26 Huskisson took further steps in the direction of free trade, (1) substituting for the total prohibition of certain foreign manufactures—notably the silk goods of France—an *ad valorem* duty of 30 per cent., and (2) repealing or greatly reducing the import duties on a number of raw materials, including raw silk and thrown silk, flax, and wool. The result was an improvement in all of these

[1] *Edinburgh Review*, May 1820, vol. xxxiii. pp. 232-33. The reviewer further cites a petition by the frame-knitters of Nottingham in August 1819, in which they say: "For the last eighteen months we have scarcely known what it was to be free from the pains of hunger."

[2] R. M. Garnier, *Annals of the British Peasantry*, 1895, p. 335.

[3] Dunckley, as cited, pp. 40-44, 102-106.

industries,[1] especially the silk trade; but before the reform took effect there was a great bank crash,[2] which was followed by much unemployment in the woollen industry. The following extract tells its own story:—

UNEMPLOYED WORKERS IN LANARKSHIRE

On Saturday last a meeting of weavers' delegates from the various districts in this neighbourhood was held in the usual place. The object of the meeting was to receive from the several districts an account of the number of weavers out of employment, which statement it was intended to lay before the Lord Provost and Magistrates. The following are the returns given in:—Anderston contains 708 looms, of which 386 are idle. Ballieston Toll contains 150 looms; of these 98 are empty. The district of North Bridgeton contains, in whole, between 400 and 500 looms. The returns are only from about one-half of this district, which contains 150 empty looms. From the centre and south districts of Bridgeton the accounts are incomplete. In the former 180 and in the latter 60 empty looms were taken up. In Charleston there are 132 idle. In Cowcaddens, of 300 looms, 120 are idle. In Clyde, Bell, and Tobago Streets, of about 500 looms, there are 74 idle; and 100 working webs which cannot average 8d. a day. In Drygate there are 105 idle; in Drygate Toll, 73; in Duke Street, 18. In Gorbals, containing 365 looms, there are 223 idle. In Havannah, out of 130 looms, there are 48 idle. In the district of Keppoch-hill, of 70 weavers, there are 20 idle. The district of King Street is divided into ten wards; returns are only given in from four, which contain 70 empty looms. In Pollockshaws, containing about 800 looms, there are 216 idle. In Rutherglen there are 167 idle. In Springbank, of 141 weavers, there are 58 unemployed; and in Strathbungo, containing 104 looms, there are 28 idle, 25 of whom are married men. Parkhead, Camlachie, and some other extensive districts have not yet given in their returns. The delegates, before separating, appointed a general meeting to be held in the Green this day, to decide upon an address to the Magistrates, requesting them to endeavour to procure employment for the idle hands.[3]

[1] Harriet Martineau, *History of the Peace*, Bohn ed. i. 447 *sq.*; Dunckley, pp. 42-43, 116-119. [2] Martineau, p. 479.

[3] *Glasgow Saturday Chronicle*, March 1826, cited by Combe, *The Constitution of Man*, 1828, App. pp. 313-14.

In England matters were no better. In the spring of 1826

there was such fearful suffering among the poor of the manufacturing districts that . . . the people rose up against the power-looms, which they believed to be the cause of their distress; and in one day every power-loom in Blackburn, and within six miles of it, was destroyed. . . . It was a mournful spectacle in Lancashire that week in April, the mob going from town to town . . . snatching their food from bakers' shops and public-houses; throwing stones at the soldiers and being shot down . . . leaping from two-storey windows to escape the soldiery, after having cut up every web and hewn down every stick and beam within; striking at their pursuers with table-knives made into pikes; with scythes and sledge-hammers; swimming canals, hiding in woods, parading the streets of towns, to the number of 10,000 at a time, frightening the night with cries of hunger and yells of rage. . . . On the first day, three persons were killed by the soldiers; on another day, nine; here, it might be seen, that wounded men were carried away across the fields; there, the street was found, when emptied, to be "much stained with blood." . . . In the first week in May, the Manchester operatives rose again; and then the Bradford woolcombers and weavers met to consider "the present unparalleled distress and famishing condition of the operatives," and could think of no way of mending it but by breaking windows. There were inquests first, and trials afterwards; but no relief. In Lanarkshire, the noblemen, magistracy, and gentry of the county, assembled to consult upon the wretched and helpless state of the Glasgow operatives, knew no better than to throw the blame on the invention of machinery. In Dublin, the starving silk-weavers formed in procession, to exhibit their hunger in the streets. . . . At Carlisle, the starving weavers mobbed one of the candidates for the city, clamouring for the repeal of the corn laws and radical reform; and a riot ensued, in which a woman standing at her own door, with a key in her hand, and a little girl in the street, were shot through the head. . . . In Norwich, the unemployed weavers, who would not take work at the wages which the manufacturers could afford, kept watch at the city-gates for goods brought in from the country. They destroyed one cartload in the street, and threw the cart into the river; broke the manufacturers' windows; cooped in a public-house three men from the country who had silk canes about them; and kept the magistracy busy

and alarmed for some weeks. About 12,000 weavers in Norwich were then unemployed, and the whole city in a state of depression, the more harassing from its contrast with the activity and high hope of the preceding year.[1]

Peel wrote to Goulbourn: "At home the prospects are gloomy enough. The great cause of apprehension is not in the disaffection, but in the real distress, of the manufacturing districts. There is as much forbearance as it is possible to expect from so much suffering."[2] A parliamentary committee sat to "inquire into the expediency of promoting emigration."[3] Parliament of course decided that the corn laws should not be discussed at such a time; but Ministers ventured to suggest that the 300,000 quarters of wheat then in bond should be released; and after protracted discussion, on a promise that no duty should yet be fixed for the other half million quarters required to meet the distress, the landed interest reluctantly gave way, after a specially strong opposition in the House of Lords.[4]

The silk trade soon revived, as a result of the reduction of the import duties on raw and thrown silk, a home market being now found for the products which were no longer ousted by the cheaper silks smuggled from France. But the great woollen industry could only slowly advance by reason of the fatal check put upon exports by such import duties as those on corn.

"In Barnsley [in 1829] the wages of the working classes averaged only twenty pence a week. In Sussex the labourers were employed on the roads at fourpence and threepence a day. In Huddersfield the people did not on an average earn more than twopence daily. Labour was so cheap and so abundant that the men were employed to do the work of horses and oxen. In Hampshire and Cheshire peasants could be frequently seen harnessed to waggons, 'degraded to the labour of brutes.'"[5]

In 1830 "the manufacturing operatives of Lancashire and Yorkshire were, in many instances, receiving only 3d. and 4d. a

[1] Harriet Martineau, *History of the Peace*, ii. 24-27.
[2] C. S. Parker's *Sir Robert Peel*, 1891, i. 415. [3] Martineau, ii. 32.
[4] *Id.* p. 28.
[5] Spencer Walpole's *History of England*, ed. 1878, ii. 531.

day for more than 12 hours' labour." "The people of this country had for some time past been suffering cruelly. . . . Statements of agricultural distress, mining distress, and manufacturing distress were made, echoed and re-echoed. Sometimes they were met by qualified assent, sometimes by vehement contradiction; but they still continued to be made. . . . Agricultural labourers were found starved to death, having tried in vain to support nature with sorrel and other such-like food. In vain did landlords abate their rents and clergymen their tithes; wages continued to fall, and had at length reached such a point of depression that they did not suffice to support existence. At the time to which we refer the quartern loaf cost 10d. . . . The agricultural labourers . . . began to break threshing and other agricultural machinery. . . . The peasantry, finding no more machines to break, or forcibly prevented from breaking them, began secretly to set fire to stacks of corn or hay."[1]

Great as was the industrial distress at this time, the excitement over the struggle for parliamentary reform sufficed to keep in the background any scheme for economic and fiscal reform. Then from 1832 to 1835 the wheat harvests were very good,[2] bringing some comfort to the peasantry; and the increased demand in the home market helped industry. But while the rest of the population were thus prosperous, the farmers were being ruined by the low wheat prices, and their distress in turn was repeatedly discussed in Parliament.[3] When, again, seasons of high prices relieved the farmers, trade languished, and the country which at the end of the Napoleonic wars had "exclusive possession of all the markets in the world"[4] found itself losing some of them to foreign competitors.

"At this very moment," said Villiers in the House of Commons in 1838, "there are thousands of persons suffering the greatest privations from no other circumstance than from their trade having passed into the hands of foreigners. . . . In Nottingham, for instance, how many are now enduring the greatest distress

[1] Molesworth's *History of England, 1830-1874*, ed. 1874, i. 32, 51-52.
[2] Martineau, iii. 481.
[3] Molesworth, i. 381, 396; Villiers, *Speeches on Free Trade*, People's ed. pp. 75, 151.
[4] Villiers, *Speeches*, as cited, p. 69.

from the loss of the hosiery trade, of which they have been successfully deprived by the Germans? The Germans not only have ceased to demand the hosiery of this country—formerly an article of extensive import with them,—they undersell us in every part of the world in this article; . . . they undersell us in Nottingham itself, after paying 20 per cent duty. . . . There is hardly a branch of our trade that has not been affected by foreign competition. We find from authenticated returns that all the countries that we have compelled by our restrictive system to engage in the cotton manufacture are, after several years' experience, not only able to maintain their ground, but are also making progress. This is the case in France, Austria, Switzerland, Prussia, and the United States. . . . Whole branches of the hardware trade have left Sheffield, and are now carried on in the provinces of Rhenish Prussia, where it will be found that the best white bread is 1½d. per lb., and meat 3d. per lb."[1]

In the following year Villiers was able to show that Switzerland—then a country of low tariffs—was successfully competing with England in Europe and America:—

We find that though formerly we supplied her with goods and yarns, she now takes but little from us, and only the finest description of goods; and that not only does she supply herself, but that she also exports three-quarters of what she produces, and meets us successfully in the Italian, Levant, and North American markets.[2]

As to the general progress of foreign manufactures in competition with British at this period, we have a fairly authoritative statement from the Chamber of Commerce of Manchester, presented in 1838 in a petition to Parliament. It proves that in the full reign of Protection, British "supremacy" in manufactures had ceased, and that there had arisen precisely the state of things which protectionists to-day falsely allege to exist under free trade—increased exportation of raw or slightly manufactured materials and diminished exportation of manufactures. A few extracts will suffice:—

[1] Villiers' *Speeches*, pp. 72-74. [2] *Id.*

Your petitioners view, with great alarm, the rapid extension of foreign manufactures, and they have, in particular, to deplore the consequent diminution of a profitable trade with the Continent of Europe. . . . Whilst the demand for all those articles, in which the greatest amount of the labour of our artisans is comprised, has been constantly diminishing, the exportation of the raw material has been as rapidly increasing.

Several nations of the Continent not only produce sufficient manufactures for their own consumption, but they successfully compete with us in neutral foreign markets. Amongst other instances that might be given to show the formidable growth of the cotton manufacture abroad, is that of the cotton hosiery of Saxony, of which, owing to its superior cheapness, nearly four times as much is exported as from this country; the Saxons exporting annually to the United States of America alone, a quantity equal to the exports from England to all parts of the world; whilst the still more important fact remains to be adduced, that Saxon hose, manufactured from English yarn, after paying a duty of 20 per cent, are beginning to be introduced into this country and sold for home consumption, at lower prices than they can be produced for by our manufacturers.

Further proof of the rapid progress in manufacturing industry going on upon the Continent is afforded in the fact that establishments for the making of all kinds of machinery for spinning and weaving cotton, flax, and wool have lately been formed in nearly all the large towns of Europe, in which English skilled artisans are at the present moment diligently employed in teaching the native mechanics to make machines, copied from models of the newest invention of this country, and not a week passes in which individuals of the same valuable class do not quit the workshops of Manchester, Leeds, and Birmingham to enter upon similar engagements abroad.[1]

It was not only on the Continent that "the foreigner" was learning to beat us at our own boasted business. The United States also, possessing the raw material of the cotton manufacture, with an abundant supply of cheap food, was rapidly learning to undersell England in the markets of Mexico and South America, nay, in Calcutta, despite an

[1] *Free Trade and the Manchester School*, 1903, pp. 139-142, where the whole petition is reprinted.

extra duty.[1] Such developments were inevitable while England taxed her imports of raw cotton, as of old, in the interest of the woollen trade, and flour (a "raw material" in the cotton trade) in the interests of agriculture.

In 1838 Chartist riots began to add to the general gloom and fear;[2] and while the free-traders strove with new zeal to rouse opinion against the corn laws, matters went from bad to worse. In April 1840 Villiers read to the House of Commons the following extract from a report of an inquiry made at Bolton a few weeks before :—

In the cotton mills alone, about £95,000 less have been paid during the last twelve months. Many of the mills have been entirely stopped for all or part of the time, and with only two exceptions all have worked short time for a considerable portion of the past year. I have made a very careful calculation from extensive personal inquiry, and assert most confidently that altogether there must have been at least £130,000 less in wages in the Bolton Union. Now add this £130,000 less in wages to the £195,000 more for food, and there is a total loss to Bolton of £325,000. What are the consequences? There are now in Bolton 1125 houses untenanted, of which about fifty are shops, some of them in the principal streets. Here is a loss to the owners of £10,000 to £12,000 a year. The shopkeepers are almost ruined by diminished returns and bad debts. There were, a short time ago, three sales of the effects of shopkeepers in one day. Distraints for cottage rents occur daily. The arrears of cottage rents, and the debts to shopkeepers, are incalculable, but they must amount to many thousand pounds. The pawnbrokers' shops are stowed full of the clothing, furniture, and even bedding of the destitute poor. Fever is also prevalent. . . . The outdoor relief to the poor is three times greater in amount than on the average of the three years ending 1838. South of Bolton, four miles, a large spinning establishment, giving employment to 800, and subsistence to 1300 persons, has been entirely stopped for nine months. The proprietor has upwards of 100 cottages empty, or paying no rent, and, although possessed of immense capital, finds himself unable to continue working his mills to advantage. Entering Bolton from Manchester, another mill, requiring 180

[1] *Free Trade and the Manchester School*, pp. 87-90, citing evidence collected by the manufacturers of Glasgow.

[2] Martineau, iii. 494.

hands, has been entirely standing for eighteen months. In the centre of the town, another, 250 hands, stopped several weeks. North of Bolton, one mile, a spinning, manufacturing, and bleaching establishment, on which 12,000 persons were dependent for subsistence, has been entirely standing for four months.[1]

When, in 1841, Peel came into power by the protectionist vote, defeating the Whig Ministry, who had proposed to modify the corn laws by reducing the duty to 8s. a quarter on wheat, the distress had become more dire than it had been even in 1826. In a well-known passage in a speech delivered in 1845, Macaulay described the destitution of 1841 as he had witnessed it:—

In 1841 the capitalist was doubtless distressed. But will anybody tell me that the capitalist was the only sufferer, or the chief sufferer? Have we forgotten what was the condition of the working people in that unhappy year? So visible was the misery of the manufacturing towns that a man of sensibility could hardly bear to pass through them. Everywhere he found filth and nakedness and plaintive voices and wasted forms and haggard faces. Politicians who had never been thought alarmists began to tremble for the very foundations of society. First the mills were put on short time. Then they ceased to work at all. Then went to pledge the scanty property of the artisan; first his little luxuries, then his comforts, then his necessaries. The hovels were stripped till they were as bare as the wigwam of a Dogribbed Indian.[2]

But even this vivid testimony is not more instructive than the details of the industrial collapse throughout England. The free-traders of that age have put them on record:—

Passing rapidly through the land, let us ask what was the condition of that extensive and wealthy district of which Leeds and Bradford are the principal centres. In the township of Leeds alone, and within four years, thirty-nine persons or firms connected with the woollen manufacture became bankrupt, with liabilities amounting, in the aggregate, to half a million sterling. To these we must add the failures of eighteen flax and tow spinners, sixteen

[1] Villiers' *Speeches*, pp. 171-2.
[2] *Speeches of Lord Macaulay*, People's ed. 1866, p. 204.

machine makers, sixteen wool-staplers, and nine stuff and worsted spinners,—all of which occurred within the same time and in the same town. Six shillings and eightpence is above the average amount of the dividends which were paid on this enormous mass of insolvency; and the total loss accruing from these cases alone, cannot be set down at less than a million sterling. In Bradford one-fourth of the mills were idle, and the value of mill property had declined full thirty per cent. So little machinery was wanted, that the wages of machine-makers had fallen, in five years, to little more than one-half, and the trade itself seemed on the verge of extinction. In the populous district of Thornton Road thirty-one firms failed or compounded with their creditors, and fourteen others declined business; their total amount of bad debts being more than a million and a half. Passing into the neighbourhood of Nottingham, we find, in that town alone, 10,580 persons, nearly a fifth of the population, receiving parochial relief, with a reduction of wages, through a period of six years, of as much as twenty-five per cent.

Entering the region of hardwares, the various trades of Birmingham show the same depressed condition. Silver-workers, platers, screw-makers, brass-founders, and those engaged in the coal and iron trades, were now receiving only a half, and in some cases only a third of the rate of wages paid them a few years earlier. On a Saturday night many a master had to carry his goods to the pawnbroker, before he could pay his men. A stranger wandering through the town might count in fifteen streets upwards of four hundred empty houses; and not a week passed without some instance of death by starvation gaining a melancholy publicity through the medium of a coroner's verdict. Of the vast trade in iron which Wolverhampton formerly carried on with the United States, only one-sixth remained. From injuries sustained in the same quarter, Sheffield had lost more than a fourth of its staple industry; wages had declined some forty per cent; pauperism was doubled; and in the course of five years no less than £20,000 was expended by four trades alone in the relief of unemployed workmen.

Transferring ourselves into the woollen districts of Gloucester, Somerset, and Wilts, we meet the same picture. At Frome, from 1831 to 1841, population had considerably decreased; rents were fifty per cent lower; one-sixth of the houses were unoccupied; and the only item of increase was the poor rate. Of Bradford, Stroud, Uley, Wootton, the same tale could be told. Comparing the

whole county of Gloucester at the two periods just mentioned, we find a diminution of fifty per cent in the number of looms employed; and the number of manufacturers who still held their ground was less than the number of those who had failed during that short interval.

In Coventry one-third of the population was unemployed; in Spitalfields eight thousand looms were idle, and twenty-four thousand persons thrown upon parochial relief; in the whole of the Metropolis one thousand letterpress compositors and nine thousand tailors were altogether without work. Other trades throughout the kingdom were in the same condition. To visit the ironworks of Scotland, the colliers of Staffordshire, the glovers of Yeovil, the carpet-weavers of Kendal, the glass-blowers of Warrington, the shawl-weavers of Paisley, and the flax-spinners of Dundee, would only be to encounter similar proofs of the entire prostration of industry. In Paisley, for example, no less than thirty failures took place within a few weeks; in less than a year two-thirds of the whole number of the manufacturers became insolvent; while one-third of a population which is distinguished, even in the north, for industry and ingenuity, were thrown upon the public for support.

It was, however, in the manufacturing districts of Lancashire that the vials of wretchedness seemed poured out to their last dregs. It is unnecessary, after the facts that we have given, to look at the commercial statistics of the case; we will confine ourselves to a few of their social results. In Bolton, only a third of the people were fully employed; the poor rate had been tripled in five years; fifteen hundred houses within the borough were unoccupied, and wages had experienced an immense decline. We might infer from these facts alone the condition of the working classes, but we have at hand the surer test of figures. The net earnings of 1003 families averaged only 1s. 2d. a head per week; more than half the beds in their possession were filled with straw; they had among them 466 blankets, not quite one to every ten persons; while only one-half could boast the humble luxury of a change of linen. At Stockport, Ashton, Oldham, and the other large towns, the picture of misery was but slightly varied. In Wigan, the receipts of 2000 families were only sufficient, if all laid out in bread, to buy each individual twenty-two ounces a day. The spectacle of distress which meets us when we turn to Manchester is projected on a gigantic scale, and filled up with more harrowing details. At the instance of a number of charitable

gentlemen, 12,000 families were brought under visitation, and the mass of destitution which was thus brought to light almost exceeds belief. To buy themselves bread, thousands had parted with every stick of furniture and every rag of clothing beyond the merest wants of decency.[1]

And still the tale goes on:—

At Leeds, the pauper stone-heap amounted to 150,000 tons; and the guardians offered the paupers 6s. per week for doing nothing, rather than 7s. 6d. per week for stone-breaking. The millwrights and other trades were offering a premium on emigration, to induce their "hands" to go away. At Hinckley, one-third of the inhabitants were paupers; more than a fifth of the houses stood empty; and there was not work enough in the place to employ properly one-third of the weavers. In Dorsetshire, a man and his wife had for wages 2s. 6d. per week and three loaves; and the ablest labourer had 6s. or 7s.[2]

No wonder that in 1842 Peel wrote to Croker: "Without improvement, we are on the brink of convulsion, or something very like it."[3] But still he held on. Any recovery of industry served to postpone the vital reform. Protection of agriculture was the dogma and the supposed interest of his party; and all the while the agricultural interest was in such chronic distress that in 1845 Cobden could move for a select committee to inquire into its causes and extent. Only the conjunction of a new dearth in England with blight and famine in Ireland made possible the resolution on Peel's part which rang the knell of protectionism so early as 1846.

[1] Dunckley, *The Charter of the Nations*, 1854, pp. 65, 69.
[2] Martineau, iv. 157.
[3] Croker's *Correspondence*, 1884, ii. 385. Cp. pp. 383, 391.

CHAPTER VII

HOW FREE TRADE HAS BEEN WON

THE argument from the practice of protectionist States is latterly much employed at one special point—the alleged falsification of a prediction by Cobden that the adoption of free trade by Britain would be speedily followed by the conversion of the rest of the world. Before pronouncing on the special issue, let us make sure what Cobden actually did say. The published assertion of Mr. Chamberlain [1] is that

> Mr. Cobden *based his whole argument* upon the assumption, which he made in all good faith, that if we adopted Free Trade it would mean free exchange between the nations of the world; that if we adopted Free Trade, five years, ten years, would not pass without all nations adopting a similar system.

The italicised phrase is so utterly false that it might alone serve to discredit the cause in which it is used. The sole passage which the protectionists are able to cite from Cobden, before the repeal of the corn laws, as to his hopes of the adoption of free trade by foreign nations, in imitation of us, is this, from his speech of January 15, 1846:—

> I believe that if you abolish the Corn Law honestly, *and adopt free trade in its simplicity*, there will not be a tariff in Europe that will not be *changed* in less than five years to follow your example.

This was said only in the very last year of the anti-corn-law struggle; and there is not the slightest trace in that

[1] Reprint above cited, p. 184.

or in the rest of Cobden's speeches of his ever once having "based his argument" for free trade on the "assumption" alleged by Mr. Chamberlain. So far was he from admitting that foreign adoption of a free trade policy was necessary to our success in it, he expressly argued to the contrary: "It is our policy to receive from every country; and if foreign countries exclude us, it is only a stronger reason why we should throw open our ports more widely to them."[1]

Nor is the alleged assumption made in the passage before us. Cobden predicts simply *change* of tariffs in the direction of free trade; and this change he makes contingent on the adoption by England of "free trade in its simplicity." When was that attained? Strictly speaking, it never has been; but the last process of tariff reductions did not take place until 1860, the very year in which Cobden effected his Commercial Treaty with France. And in 1864, so far was Cobden from a firm faith in the fixity of even tariff reductions in France that he writes to M. Chevalier:—

I confess I am not satisfied that you do not continue to make further reforms, if only to guard against reaction in those already made. Time is passing. It is now four years since we arranged your tariff. Are you sure that in 1870 you will be so completely under the Free Trade régime as to prevent the Government of that day (God knows what it may be) from going back to Protection after the Anglo-French treaty expires?[2]

All the while Cobden remained a convinced free-trader. Neither he nor any of his colleagues ever dreamt of arguing that the value of free trade for us depended on its adoption by other countries, though they naturally hoped that a good example would be followed. But it may be granted that at some moments they had been over-sanguine; that they failed in 1846 to realise fully that other countries must go through just the same sort of battles against class interest as they themselves had fought in Britain; that they did not for the moment—though Cobden did soon afterwards—take into

[1] Speech at Dundee, in *Dundee Advertiser*, Jan. 19, 1844. See the longer extract in the Cobden Club's pamphlet, *Fact versus Fiction*, ch. iv.
[2] Morley's *Life of Cobden*, ii. 439.

account the risks run by the cause from the political vicissitudes of nations. Cobden, in other words, did not in 1846 realise the significance of the fact that it took seventy years of powerful propaganda to make possible the decisive act of free trade legislation in Britain.

Adam Smith's *Wealth of Nations* was published in 1776. As we have seen, it was not by a long way the first promulgation of free trade doctrine even in this country; but Smith's book was the first powerful preaching of the principle by a notable author. With all his deductiveness, Smith was essentially a practical publicist; and he was under no illusion as to any speedy adoption of his ideals. He even underrated the possibility of their realisation. "To expect, indeed," he writes,[1] "that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceana or Utopia should ever be established in it. Not only the prejudices of the public, but, what is much more unconquerable, the private interests of many individuals, irresistibly oppose it." "If," he adds, "a member of Parliament opposes monopolies, and still more if he has authority enough to be able to thwart them, neither the most acknowledged probity nor the greatest public services can protect him from the most infamous abuse and detraction, from personal insults, nor sometimes from real danger, arising from the insolent outrage of furious and disappointed monopolists." Even with such a treatise as the *Wealth of Nations* for a text-book, a beginning in the way of systematic reform was hard to make. Only after seven years is any mention of Smith's book to be traced in Parliament;[2] and though the younger Pitt so far acted on Smith's teaching as to conclude, in 1786, a most useful treaty of commerce with France, with the result of doubling the trade of the two countries in three years, and so setting France upon making similar treaties with Holland and Russia, the whole reform fell to the ground on the outbreak of the war against the Revolution in 1793. The Constituent Assembly in 1791

[1] B. iv. ch. ii.

[2] Buckle, *Introduction to the History of Civilisation in England*, ch. iv. note 60.

had been strongly in favour of a low tariff; but the war temper, significantly enough, swept away the free trade movement in both countries.[1] A lesson partially learned was thus lost; and Smith's influence had to be built up afresh. Not till twenty-one years from the date of the issue of his book, after a good many parliamentary references, is the financier Pulteney found quoting in the House, with approval, the saying that Dr. Smith "would persuade the present generation and govern the next."[2] A few years later we find opponents speaking of Smith as one whose doctrine some proposed to make a basis of legislation.[3] Yet, though Huskisson in 1825-29, Sydenham in 1831-40,[4] and Peel in 1842 and 1845, effected many tariff reductions in directions in which there were no great vested interests to fight; though, indeed, Villiers presented in 1842 a petition from the chairman of a conference of 720 delegates, wherein "all the principal branches of manufacturing industrial employment and capital expressed their desire to give up all legislative protection whatever,"[5] it was not till 1846 that there was effected (for 1849) the repeal of the landlord-made corn laws.

Up till 1845 Peel and Gladstone resisted the demand, pleading vested interests, prescriptive rights, even "virtual contract." No official Liberal leader had accepted the principle of repeal; and Lord Melbourne had pronounced it the maddest of all political proposals. In 1843 Brougham and Roebuck, both free-traders, vehemently condemned the Anti-Corn-Law League for its extremeness. In 1844 Joseph Hume was defeated on his free trade motion by 235 votes to 49. In the same year Cobden was profoundly depressed by the adverse vote of 328 votes to 124;[6] and Gladstone, who had previously refused to grant Cobden a committee to

[1] Cp. Armitage-Smith, *The Free Trade Movement*, 2nd ed. 1903, p. 40.
[2] *Parliamentary History*, xxxiii. 778, cited by Buckle.
[3] *E.g.* in the treatise *Gnomia, or the Science of Society*, 1801.
[4] Sydenham's reforms are often overlooked. In eight years of office he reduced or modified over 700 duties. Porter, ed. 1851, p. 358.
[5] Villiers' *Speeches*, p. 233.
[6] M. M. Trumbull, *The Free Trade Struggle in England*, 2nd ed. 1892, pp. 147, 155, 172-3.

investigate the effects of protective duties,[1] pronounced the whole agitation "most mischievous,"[2] further speaking of the League as "a thing of no great practical moment," whose "parade and ceremonial were perhaps the most important features about it."[3] And it was notorious that the consummation in 1846 was hastened by the pressure of special distress from a bad season, which moved Sir Robert Peel—long, perhaps, a free-trader in theory[4]—to give up the corn tariff, after having declined to do so in 1842, when, having won his election as opposing Lord John Russell's plan of modifying the corn duties, he removed the duties on a multitude of other articles. Seeing that at that time seventeen taxed articles, out of many hundreds, produced 94½ per cent of the total customs revenue,[5] corn was the vital article from the protectionist point of view, and the reforms of 1842 did not seriously touch the protective principle. And seeing that Lord Palmerston, a professed Liberal, was still in favour of a permanent duty on corn, it is clear that the battle of free trade even in 1846 was far from having been won *on the merits of the principle.* Had not the harvest of that year being ruined by rain, and had good years followed, the repeal of the corn laws might have been delayed for another generation.[6]

This becomes the more clear when we realise that only gradually and grudgingly did the bulk of the working-classes in the towns come to acquiesce in the free trade policy. The movement was essentially a middle-class one,[7] and almost until the hour of victory many of the town-workers, with Chartist sympathies, were hostile,[8] while the Owenite movement stood aloof from both Chartists and Liberals.[9] In 1839, at a great anti-corn-law meeting at Rochdale, at which John Bright spoke to the free trade resolution, the

[1] Hansard, 3rd ser. vol. 73, col. 895, March 12, 1844.
[2] June 25, 1844. Hansard, 3rd ser. vol. 75, col. 1424.
[3] Morley, *Life of Cobden*, i. 294. I cannot find the passage in Hansard.
[4] This was Cobden's view. See Morley's *Life of Cobden*, i. 237.
[5] *Id.* p. 236, note.
[6] See Appendix.
[7] Cp. Morley, *Life of Cobden*, i. 248-9.
[8] Cp. Harriet Martineau, *History of the Peace*, Bohn ed. iii. 494.
[9] Podmore, *Robert Owen: a Biography*, 1906, ii. 453-7.

Chartist James Taylor proposed an amendment to the effect that before agitating for a repeal of the corn laws the people should obtain possession of their political rights; and this amendment was carried, "the Chartists at that moment having the ear of the working-classes in the chief towns of Lancashire and Yorkshire."[1] Later, in 1844, Cobden and Bright, by the admission of the Chartist historian, triumphantly defeated in open debate at Northampton the Chartist orator Feargus O'Connor. But this was regarded by O'Connor's fellows as a display of incompetence on his part, they being previously convinced that Cobden's position was "a flimsy one";[2] and it is certain that multitudes of artisans were much more concerned to resist the introduction of new machinery than to repeal the corn laws.

This opposition of the town-workers was not without reasonable grounds, though the agricultural labourers, who gained little or nothing in wages by high prices of corn, and were miserable alike in good years and bad, gave Cobden their support, such as it was.[3] For a whole generation the discussion on free trade had been obscured by the controversy as to whether high food prices did or did not raise wages, and whether low food prices would lower them. It is only fair to note that some of the early free-traders condemned the corn laws as tending to drive manufacturers' capital out of the country by keeping wages high and so reducing profits. A moderate protectionist, M'Donnell, writing in 1826, opposed this doctrine, which was ostensibly supported by some of the reasonings of Adam Smith.[4] M'Donnell contended, justly enough, that the high wages paid in England to mechanics as compared with those of continental countries were substantially determined by the higher English standard of comfort, or norm of expenditure.[5] Most of the disputants

[1] G. Barnett Smith, *Life and Speeches of John Bright*, 1881, i. 138-9.

[2] R. G. Gammage, *History of the Chartist Movement*, 1894, pp. 253-5.

[3] Cp. R. M. Garnier, *Annals of the British Peasantry*, 1895, p. 342. In the earlier days of the corn laws, Cobbett refused to recognise them as the evil to be removed. He assailed the "taxes" in general. *Id.* pp. 338-9.

[4] In the chapter on Bounties, b. iv. ch. v. par. 8. Some ascribed such a view to Ricardo; but this was a misconception.

[5] A. M'Donnell, *Free Trade*, 1826, Pt. i. sects. ii., iii.

on both sides failed to realise that the higher English wages were paid for a considerably higher rate of *production* than that of the other countries, and that profits and wages might therefore increase together as compared with those of the continental countries. De Quincey, founding on Ricardo, had indeed shown clearly enough[1] that it was only increase in relative quantity of labour, and not of wages, that reduced profits. This the better economists on the free trade side realised; and M'Donnell admits that he is "fully aware that freedom of commerce is advocated by many on different grounds"[2] from that of fear of high wages. Still, that fear was avowed by some; and Cobden had constantly to meet what he called "the fallacy of 1815"—that his real aim was to raise manufacturers' profits by making labour cheaper. Even Gladstone, when opposing the free traders in 1842, talked of "the fallacy of cheap bread."[3]

Cobden, who had always been sound in his economics, had never had any such aim; and he crushingly confuted the charge[4] by showing that again and again, when bread prices were abnormally high, wages had fallen very low,[5] the simple reason being that high food prices limited the power to purchase other goods, and, checking production, restricted the demand for labour. He might have cited further the old argument of Petty,[6] virtually acquiesced in by M'Donnell,[7] that in times of cheap food labourers were least willing to work. But between the fallacious arguments of mistaken free-traders and the taunts of protectionists who ascribed their doctrine to the entire free trade movement, the workers were naturally suspicious, and slow to come into line.

They, then, like the protectionists who in 1846 reluctantly supported Peel, were substantially carried away by the pressure

[1] In his *Dialogues of Three Templars* in the *London Magazine*, 1824.
[2] Work cited, p. 220. [3] Trumbull, as cited, p. 72.
[4] Villiers also, in 1840, cited testimony to show that in Stockport, "although the standard of wages is continually falling, the necessaries of life are advancing in price" (*Speeches*, p. 189). See also his speech of the same year, p. 145.
[5] This had been shown by M'Donnell in 1826 from the evidence before the Lords' Committee of 1814. Work cited, pp. 243-4.
[6] *Essays in Political Arithmetick*, 3rd ed. 1698, p. 205.
[7] As cited, pp. 244-5.

of sheer necessity, the menace of famine, and were not converted by any economic argument. The case has been put, with some exaggeration, by one student of movements of opinion:—

> An historian would stand convicted of ignorance or folly who should imagine that the fallacies of Protection were discovered by the intuitive good sense of the people, even if the existence of such a quality as the good sense of the people be more than a political fiction. The reasons in favour [of the principle of free trade] never have been, nor will from the nature of things be, mastered by the majority of any people. The apology for freedom of commerce will always present, from one point of view, an air of paradox. . . . It is idle to suppose that belief in freedom of trade—or indeed any other creed—ever won its way among the majority of converts by the mere force of reasoning. . . . Much was due to the opportuneness of the time.[1]

And if this were so in England, there can be no difficulty in understanding how, in countries where the need for free imports of corn is never so pressing as it often was in England before 1846, the ordinary arguments for protective duties may still capture many of the workers as well as their employers.

What preserved free trade after 1846 was on the one hand the plain continuance of the need for free food, and on the other the overwhelming confirmation of the free trade case in the total expansion of trade and employment. From that point dates a new era in industrial politics. Chartism disappeared because the worst pressures of misery did; and to the workers who had looked at him askance Cobden gave new possibilities of democratic evolution.[2]

[1] Prof. A. V. Dicey, *Lectures on Law and Public Opinion* in England, 1905, pp. 23-25.

[2] Cp. Brougham Villiers, *The Socialist Movement in England*, 1908, p. 52.

CHAPTER VIII

FREE TRADE DOCTRINE IN OTHER COUNTRIES

We have now to consider the effect of the English step upon the policy of foreign countries. We tend to discuss the issue as if England in 1846 were suddenly presenting a new example. She was doing no such thing. Not only had Holland, long before, achieved something like general free trade: Prussia had by the law of 1818 adopted a tariff which went much further in that direction than the English free traders could yet hope to go; and in 1825 the free-trading Minister Huskisson in the House of Commons could only express the hope that "the time would come when England would follow Prussia's example." "Reciprocity" in those days meant the proposal to respond to foreign reductions of tariffs by reductions of ours. English protectionism had in fact refused to follow the Prussian lead, save in respect of minor concessions, for nearly a generation before the repeal of the corn laws. And it was only under pressure of Prussian retaliation that in 1825 Huskisson was able to carry the modification of the navigation laws by the "reciprocity" principle.[1] Above all, it is to be remembered that the protectionist party in England, so long all-powerful, had in foreign eyes a fair prospect in 1846 of regaining power and re-enacting the corn laws. So late as 1850, Disraeli's motion for "compensation" for agricultural distress as against the removal of the corn laws was supported by Gladstone,

[1] See Note XI. to M'Culloch's ed. of the *Wealth of Nations*, near end.

and was lost by only 21 votes, 252 backing it, and 273 opposing.[1]

In Germany, too, a protectionist reaction had been set up from 1841 onwards, proximately by the propaganda of Friedrich List, whose *System of National Economy* had been published in that year, but primarily by the "dumping" policy of the British iron-producers and cotton manufacturers.[2] It must always be kept in view that this form of provocation passes in economic history for an English invention.[3] It spontaneously arose, in fact, out of the exigencies of trade crises; but foreign producers from the first have as readily seen in it a malicious device to wreck their industry as our own producers have done when latterly it has been turned against themselves. This happened when, in 1783 and 1815, British exporters of miscellaneous goods to the United States at the close of hostilities found that their blind competition had glutted the market, and were forced to sell at any price.[4] The American producer not only resented this consummation as a deliberate attempt to annihilate his business, but was able to persuade the American politician of the danger of letting such a thing be done by the "natural enemy," who would thus make the Republic incapable of supplying its own needs in time of war. Hence a great stimulus to American protectionism at an early stage. Equally potent, of course, was the factor of British egoism in the matter of the corn laws. "From our own Minister at Washington," said Villiers in 1838, "we learn that the American Government justified its tariff by the exclusion of her corn from our market. And we know that the tariff was opposed by those States whose products we did suffer to be imported."[5] Naturally the agricultural interest carried the day in the States as it did in England, where the opposing forces were

[1] Molesworth's *History of England, 1830-1874*, ii. 326-8.

[2] Cp. Percy Ashley, *Modern Tariff History*, 1904, pp. 20-22.

[3] Cp. Prof. W. J. Ashley, *The Tariff Problem*, 1904, p. 70.

[4] Cp. Rabbeno and Thompson, as cited above, p. 76; also Coxe, as cited by Craik, iii. 102. Coxe asserts that the sales below cost were still going on in 1787.

[5] C. P. Villiers, *Free Trade Speeches*, People's ed. 1884, p. 71. See the testimony in question cited by Prof. Nicholson, *History of the English Corn Laws*, 1904, p. 129.

already so much stronger. And something similar happened in Germany in the 'forties of the nineteenth century, List abetting.

Yet withal there was a powerful movement towards free trade in the United States at the very moment at which Cobden put forth his qualified prediction. It is commonly forgotten that when Peel introduced his free trade policy in 1846 he was able to quote the Secretary to the Treasury of the United States, R. J. Walker, who had recently said:—

> By countervailing restrictions we injure our own fellow-citizens much more than the foreign nation at whom we propose to aim their force; and in the conflict of opposing tariffs we sacrifice our commerce, agriculture, and navigation. Let our commerce be as free as our political institutions. Let us, with revenue duties only, open our ports to all the world.[1]

And this deliverance was in some measure given effect to in policy. The United States tariff of 1846 was relatively so moderate that it has been spoken of by one protectionist writer as "sponsored by the British nation";[2] and in 1857, despite the absorbing pressure of the slavery question, and despite the fact that the South was anti-protectionist, the new tariff provided for "a reduction of about 25 per cent all round on the duties levied by the Act of 1846; . . . and the general level was lower than in any period since 1816."[3] It was, in short, a free-traders' measure.[4] Even in Germany the progress was soon equally marked. As early as 1848

> the agricultural societies of Saxony petitioned the Frankfurt Parliament against customs duties of every kind. Amongst publicists and in academic circles there had since 1848 been a vigorous Liberal school, whose leaders included John Prince Smith, who, though an Englishman by birth, settled in Germany first as a teacher of languages, and won great influence there from the 'fifties onwards, being elected both to the Prussian Diet and the Imperial Reichstag;

[1] M. M. Trumbull, *The Free Trade Struggle in England*, 2nd ed. 1892, p. 230. Cp. Percy Ashley, *Modern Tariff History*, 1904, pp. 184-7; Thompson, *Political Economy*, 3rd ed. p. 355.

[2] Bolles, cited by P. Ashley, p. 187, *note*. Cp. Rabbeno, *The American Commercial Policy*, 1895, p. 185, and Taussig as there cited.

[3] P. Ashley, pp. 193-4.

[4] Rabbeno, p. 186, and citations.

W. A. Lette, a high Prussian State official; Max Wirth, honourably associated with the Trade Union movement; Otto Michaelis, an able economic writer and publicist, who ended his career in the Ministry of Finance; Schulze-Delitzsch, the founder of co-operation in Germany; Julius Faucher, for some years the leader of the progressive party in the Prussian Diet; and others. At the instigation of Prince Smith and Faucher, a Free Trade party was organised in Berlin, and its influence gradually extended from North Germany to other parts of the country. Prince Smith especially was unwearied in the agitation which he carried on both by speech and writing on behalf of the economic theories which had just won so signal a triumph in England. He travelled a large part of the country as an apostle of the Free Trade gospel, imparting everywhere some at least of his own enthusiasm and conviction, organising societies, encouraging the establishment of literary sheets in the service of the new faith, and successfully identifying economic with political and parliamentary Liberalism. Not only so, but like all enthusiasts, he contended for the immediate introduction of unequivocal Free Trade, without half measures or compromise of any kind. To those who, only partially convinced of the unwisdom of a protective policy, pleaded for slow and cautious progress in the new direction, he replied that any dallying with Protection was a mere protraction of economic injury. It was, he quaintly said, like docking a dog's tail an inch a day, just to spare its feelings. To anticipate a movement, so far did his temporary influence go, that at the beginning of the 'sixties he was able to convince some of the agricultural societies of West and East Prussia—later a hotbed of extreme protectionism and agrarianism—that their truest interest was a policy of free imports. It was not long before the heresy was recanted. Free Trade principles also found expression in the Economic Congress formed in 1858 by Lette, Wirth, Victor Bohmert, and Pickford, which first met at Gotha, and the German Commercial Diet (*Handelstag*), an organisation of Chambers of Commerce and Industry.[1]

Thus far had progress been made on the general impulse set up by the English free trade propaganda and the repeal of the corn laws in 1846, in a country where, since 1815, the Zollverein system had been *pro tanto* a witness for free trade. Upon the more complete establishment of the principle in 1860, when the abolition of the remaining tariff at

[1] W. H. Dawson, *Protection in Germany*, 1904, pp. 23-25.

once made possible the new Anglo-French treaty of commerce, there followed in 1862 the new treaty of commerce between France and Prussia, and in 1865 the extension of that treaty throughout the entire area of the German Zollverein. Bismarck became Minister-President in 1862, just in time to carry the already-drawn treaty through the Prussian Parliament. "Little now remained to complete the transition to Free Trade, and that little was done during the succeeding eight years. In 1868 the duties on wine were reduced, in 1869 those on sugar likewise. Then came in 1873 the reduction of the iron duties, and finally in 1875 their entire disappearance was enacted from the first day of 1877. This clear abandonment of a protectionist policy was the work of three Prussian Ministers—Martin Friedrich Rudolf Delbrück, Otto Camphausen, and August von der Heydt."[1]

Yet another experience went far to justify Cobden's general conviction that example in free trade would count for more with foreign nations than precept, in the shape of negotiations. The Navigation Law, as we have seen, was modified in 1822, "but up to the time when a Committee of the House of Commons was appointed in 1847 to inquire into its policy and operation, few persons had been sanguine enough to hope for its entire removal from the statute-book."[2] That Committee having reported for its abolition, it came to an end at the close of 1849, and immediately the Netherlands and the United States revoked their retaliatory laws. "Other States which had not adopted our rule of restriction against foreign shipping have been led by our recent legislation on the subject to forego the intention they had plainly intimated of following that rule."[3]

As political prediction commonly goes, Cobden's forecast had been remarkably well justified. Those who, in the face of such facts, continue to speak of Cobden's qualified prediction as one wholly discredited by the sequel are merely suppressing the truth. What has happened since 1860 in the United States, and since 1870 in Germany and France, is a reaction from a great advance actually made towards free

[1] W. H. Dawson, as cited, p. 25.
[2] Porter, *Progress of the Nation*, preface to 3rd ed., 1851. [3] *Id. ib.*

trade on the lines of Cobden's forecast; and, as we shall see, the reaction has not occurred as a result of any proved harm in free trade to the economic and industrial development of those countries. Cobden, we have seen, was far from being sanguine as to the permanence of the gain actually made in France. Had he been asked, then, whether reaction were not possible in America and Germany, he would certainly not have disputed the risk. Nay, he probably would not have denied the possibility of a protectionist reaction in his own country. John Mill expressly declared that in his opinion "even, perhaps, protection of the home producer against foreign industry" would be one of the "very natural (whether or not probable) results of a feeling of class interest in a governing majority of manual labourers."[1] But neither thinker would have admitted for an instant that such a retrogression in human affairs was in itself an argument in favour of Protection.

The explanation of the retrogressions in Germany, France, and the United States is obvious and simple. In each case it is primarily the result of a new and pressing need for fresh revenue either for the liquidation of war debts or for fresh militarist expenditure. In France, indeed, the explicit declaration by Louis Napoleon, before his *coup d'état*, in favour of Protection[2] seemed to constitute a special obstacle to free trade progress under his rule. Yet even in France the critical movement set up by Bastiat in 1846 was very influential, and there has never ceased to be a free trade party there to this day. What prevented its success from the start was the fact that, on the one hand, there was never any such prolonged urgent distress from lack of food as forced reform in Britain, and that, on the other hand, extremely strong protectionist interests in manufactures had grown up during the Napoleonic wars, which neither the Bourbon nor the Orleanist Government could countervail.[3] The Government of the Third Empire, in turn, failed in 1856 in an attempt to substitute a tariff for prohibitions by legislative Act, though

[1] *Considerations on Representative Government*, ch. vi.
[2] See the passage cited by Cobden, given by Morley, *Life*, ii. 353.
[3] H. O. Meredith, *Protection in France*, 1904, pp. 4-5.

a number of duties were reduced or abolished by proclamation of the Executive, afterwards ratified by the Chambers, in 1854, 1856, and 1859.[1] Then the Cobden Treaty of 1860, which, with the supplementary agreements of 1861, did not require such ratification, made a clean sweep of prohibitions, and substituted duties, mostly moderate; while the duties on raw cotton, wool, and other raw materials were removed, and a duty of 1s. 1d. per quarter substituted for the old sliding scale on corn. Similar treaties were made with other Powers, and in 1866 the Protection of shipping was abolished, save as regarded the coasting trade.

But all this had been done in advance of public opinion; and, though France undoubtedly prospered industrially under the Third Empire, the burden of debt imposed by the great war with Germany was quite enough to account for the rapid reaction to protectionism which began in 1875. That, however, was reinforced by the two factors of (1) the great increase in the food supply from North and South America, which began to reduce English rents in the 'seventies, and (2) the vine disease, which made protectionists of many who had been free traders.[2] Once begun, the movement of reaction went from bad to worse, the agrarian party forcing the pace. As the case stands, Protection in France is ostensibly—though not really—the interest not of a small landlord class, as formerly in England, but of a large peasant proprietary. Most of these really gain nothing by it, but they are nominally protected. The representatives of agriculture, accordingly, join hands with the protectionist manufacturers to make products dear all round.

In Germany similar explanations apply. The reaction began immediately on the removal of the last protective duties in 1875—a measure which, like the Cobden Treaty in France, was the act of a strong Government rather than of public opinion. The industrial collapse which so signally followed the extravagant inflation of German trade set up by the receipt of the French indemnity,[3] and which was assuredly due to that inflation, not to free trade, gave

[1] H. O. Meredith, *Protection in France*, pp. 9-10.
[2] *Id.* p. 13.
[3] Cp. Dawson, p. 30.

the protectionists their required pretext, though such a Conservative historian as Von Treitschke explicitly admitted that the changes of the free trade period had "given to the working class a great increase of wages, without parallel in German history."[1] A heavy fall in prices gave his opportunity to Bismarck, who, since the establishment of the German Empire, had been constantly chafing under the insufficiency of the "matricular contributions" of the component States for its military needs, as he regarded them. The fixed character of the contributions annoyed him, as it did the Emperor—a protectionist by bias. Growing more and more hostile to the system, Bismarck simply turned protectionist for the sake of an imperial revenue. It is quite clear that he was well content to be a free-trader while he was concerned only to govern Prussia,[2] and his conversion to Protection was pure opportunism.

When, under his influence, Germany in 1879 set up a moderate tariff, reaction set in on all hands, affecting France, Russia, Austria, the United States, and the British Colonies, and raising its head in England in the shape of a "Retaliation" movement. As usual, the German results were in many cases extremely bad, iron prices falling in despite of duties, and textile exports falling off.[3] As is also usual in such cases, however, the interests aided by the tariff held on desperately, Bismarck abetting; and the ill effects of tariff were sought to be cured by higher tariffs. Enormous unemployment followed in 1880; emigration, which had fallen to its lowest in the free trade period, rose rapidly to ten times that figure,[4] and the cost of living rose rapidly to a height never known before. This led, under Caprivi, to a modification of Protection by way of commercial treaties, beginning in 1892 and lasting till 1903; and, though tariff wars with Spain and Russia chequered the process, the lowering of tariffs was generally admitted to have been beneficial,[5] the agrarians alone protesting violently. Whereas German trade, on the whole, had been stationary in the

[1] Written in 1874. Cited by Dawson, p. 31.
[2] See the whole question thoroughly handled by Mr. Dawson, ch. iv.
[3] *Id.* pp. 79, 80. [4] See the figures in ch. xiii., below. [5] Dawson, p. 124.

'eighties, and had advanced in the 'nineties, that of France in the former period went forward, and in the latter period back, by reason of increased Protection; and German emigration once more fell to a very low figure.[1] But the agrarian party organised itself till it came to rule the situation, and in 1902 once more a system of high protection set in.

In the United States, finally, while there were all along elements of reaction such as have been seen triumphing in France and Germany, and fermenting chronically in Britain, the main factor in the protectionist reaction after the low tariff of 1846 was unquestionably the need for revenue in the Civil War, and later to pay off the debt it had involved. "The Secession War was the original cause of the abolition of free trade and resumption of protectionism."[2] The constitution not permitting of an income-tax, high excise duties for revenue were imposed, along with tariffs; and when the excises were withdrawn the tariffs were left. Great protected interests being thus generated, the system took a hold which has never since been thrown off, though several times shaken. The facts that "the years 1846 to 1860 were in the United States years of great and solid prosperity, that all industries made continuous and genuine progress . . .; that the shipping rapidly increased; that the production of cotton augmented," and that "the wealth of the nation increased 126 per cent,"[3] could not avail to prevent the resort to Protection, and therefore the disasters of Protection could not avail to secure a return to freer trade. In the United States the agricultural class—the class which rules the situation in France and Germany—is the one which is exploited, being insusceptible of Protection for itself, and too ill organised to overcome the combination of the manufacturing classes. The interests are different, but it is always a class interest which rules.

Having regard, then, to the prolonged and desperate character of the struggle by which free trade was won in England in the first half of the nineteenth century, there is nothing historically surprising in a similarly slow or even

[1] Brentano, cited by Dawson, p. 127.
[2] Rabbeno, *The American Commercial Policy*, 2nd ed. p. 113.
[3] Sumner and Wells, cited by Rabbeno, p. 190.

much slower rate of conversion in other countries. In Britain the principle of free trade stood in 1845 somewhat as it now stands in Germany, where it is upheld by a strong and intelligent minority, and resisted by an interested majority, eked out by some disinterested doubters. But in Britain in 1845 there was one great force which is less effective to-day. Neither in Germany nor in the United States, confessedly, is there anything like the acute distress from protectionism that existed in Britain and Ireland in 1846. Our distress rose specially out of lack of food, whereas America has a great supply of food, and Germany suffers mainly from comparative dearness of beef and wheaten and rye bread, and the increasingly high prices of all articles of general consumption. By these high prices the workers suffer, but many traders gain. Why, then, should it be held to tell against the abstract rightness of free trade that these countries have not yet adopted it?

The conversion of masses of men to a novel rational principle, apart from any sharp pressure of need, is in the nature of things always a slow process. What we have to consider is whether the principle of free trade, once established as a result of special pressures, is for us worth maintaining. The backwardness of other nations to follow us is beside the case. Such backwardness is to be explained in their case as it was in ours, by the play of vested interests. In Germany and in France the agrarians and the manufacturers play into each other's hands, each granting "Protection" to the other; whereas in England in 1846 the manufacturers and the people generally, helped by a Conservative Premier with a conscience, opposed and defeated the landlords. In the United States capitalists in effect bribe the Legislature. No man now affects to doubt that the non-taxation of the nobles and the Church in France before the period of the Revolution was a monstrous political error as well as a gross injustice. Yet the most modest proposals to tax the two privileged orders were by them indignantly and successfully resisted for whole generations before either could be carried out. Self-interest may presumably operate now as it did then, in Germany as in France.

PART III

THE SUCCESS OF FREE TRADE

CHAPTER IX

FREE TRADE IN HOLLAND

ALL direct experience of free trade in developed States has told in favour of a continuance of that policy. One of the most surprising passages in Mr. Balfour's pamphlet is that in which he asserts that

> Other nations have in the past accepted the principle of Free Trade; none have consistently adhered to it. Irrespective of race, of polity, and of material circumstances, every other fiscally independent community whose civilisation is of the Western type has deliberately embraced, *in theory if not in practice*, the protectionist system. Young countries and old countries, free countries and absolutist countries, all have been moved by the same arguments to adopt the same economic ideal.[1]

As we have seen, Mr. Chamberlain makes the same assertion: "All these nations . . . and every other civilised nation on the face of the earth have adopted a tariff." "The United Kingdom," he says, in another speech, "is the only country where [dumping] can be carried on successfully, because we are the only country that keeps open ports."[2]

[1] *Economic Notes on Insular Free Trade*, 1903, pp. 8-9.
[2] *Speeches*, as before cited, p. 125. Cp. p. 156.

The statement is false in each clause. Dumping can be and frequently is "successfully" carried on against protectionist countries by both free-trading and protectionist countries: and Great Britain is not the only country that keeps open ports. The ignorance that prevails among protectionists upon this subject is noteworthy. Even Professor W. J. Ashley, who is nothing if not historical, in his carefully written work on *The Tariff Problem* says we now have "one country completely free, and the others barred by high tariff walls."[1] In his second edition, while avowing in a belated footnote[2] that Holland is "practically a free trade country," he points[3] to the shipping of Rotterdam as having increased in tonnage by 116 per cent between 1890 and 1899—that is, from 2·9 million tons to 6·3 million tons. Here he is again oblivious of the bearings of the case, for the increase (1) has occurred *under free-trade conditions*, and (2) it is more than twice as great as the only other increases alleged to have taken place; and yet Professor Ashley cites it as a ground for disquiet to free-trading Britain! Holland in point of fact levies no protective duties, imposing only a small *ad valorem* tariff for revenue purposes. If her success should disquiet anybody, it ought to be protectionist Germany. Professor Ashley has lost touch with his argument. It is somewhat astonishing that such a student should not have remembered the special economic *need* which evolved free or nearly free trade in corn alike in Holland and in Britain, and which has led to the same policy in Denmark. It is further surprising that he should speak of all other countries as "barred by high tariff walls," as if Belgian or Turkish tariffs were high.

Significantly enough, the increases in foreign shipping cited by him in his second edition are solely for Rotterdam, Antwerp (low tariffed, and free for much food), and Hamburg—a "free port," albeit on the edge of a high tariffed country. Every item tells against his own cause.

While Mr. Chamberlain falsely asserts that Britain is the only country which keeps open ports, his colleague, Mr.

[1] *The Tariff Problem*, 1903, p. 29.
[2] Ed. 1904, p. 227. [3] P. 223.

Balfour, proceeds to speak of *the large proportion of the earth's surface where protective tariffs are still to all intents and purposes unknown;* going on to say that "these free trade countries consist either of countries which are protective in theory but not in practice, where the absence of manufactures makes importation *an imperative but unwelcome need* (*e.g.*, the States of South America and the small non-manufacturing States of Europe)"; or of controlled States (as Turkey and China), or dependencies of Britain. Thus Mr. Balfour flatly contradicts Mr. Chamberlain on a question of fact. And *both* contrive to be wrong!

Whence Mr. Balfour derives his information, and what countries he refers to as protectionist in theory but not in practice, it is impossible to guess. We can but say that his data are in keeping with the absurdity of his language. The States of South America are one and all heavily tariffed. Chile, Peru, Bolivia, Argentina, Paraguay, and Uruguay raise their revenue mainly from customs; and Brazil puts high duties on many imports, including cotton, though those on machinery and tools are or have been low. In Europe the only free-trading or partly free-trading States besides ourselves are Denmark (as to food), Belgium (as to much food), and Holland; and in regard to these Mr. Balfour's language is equally meaningless. He appears to reach his statistics *a priori*, arguing that the South American States must have free imports because we send them more than they send us; and his theory of European trade is seemingly reached in the same way. At every point he is hopelessly wrong. Portugal, Servia, Montenegro, and Greece are small non-manufacturing States *with* tariffs; Italy, exporting few manufactures, has high tariffs; Denmark, mainly an agricultural State, has heavy tariffs on manufactures and free imports of food; Holland, a manufacturing state, has only non-protective revenue duties on certain imports; Belgium, a manufacturing State, has low tariffs, and admits free imports of wheat, rice, tea, coffee, and some other forms of food, also of petroleum, starch, etc. The suggested cause of differentiation is thus beside the case. And if Mr. Balfour means to suggest that the people of Holland mournfully dispense with pro-

tective tariffs while collectively conscious of an unsatisfied yearning for them, he is but adding a flimsy fiction to his previous denial that any civilised countries apart from Britain dispense with protective tariffs at all.

Modern Holland is no more protective in theory than in practice. In point of fact, Republican Holland long preceded Britain in the free-trade experiment, to the extent of putting minimum duties on imports; and in the seventeenth century its commercial success was so signal as to set up among other nations a common belief in a special Dutch genius for trade, and a certain hopelessness about competing with it.[1] It is true that the Dutch were false to their principle when they put a needless veto upon the importation of fish (they being the great fishers of Northern Europe) and set up rigid monopolies in their trade with their eastern possessions. And, in fact, the first serious falling away of the prosperity of Holland can be shown to have been set up (1) by the resort of her capitalists to the methods of monopoly in connection with her East Indian Empire;[2] and (2) by the great increase in all her industrial costs resulting from the immense additions to her debt and her taxes by her great wars with France;[3] even the protective policy of the English Navigation Act having, as we saw, totally failed to damage her shipping trade as it was meant to do. Dutch trade, however, was further relatively distanced in the eighteenth century by the commercial growth made possible in this country by our much greater natural and colonial resources, under a much lighter burden of taxation. That this is the true explanation is now implicitly admitted by Professor Ashley. In his second edition, without correcting his former remarks on the operation of the English Navigation Act, he remarks[4] that "England in *1800* had come to occupy the position which

[1] Cp. Petty, *Essays in Political Arithmetick*, ed. 1699, pp. 170, 181; Child, *New Discourse of Trade*, 4th ed., pref. and pp. 23, 55, etc.; Raleigh, "Observations touching Trade," in *Works*, ed. 1829, vol. viii.; Temple, *Observations upon the United Provinces of the Netherlands*, 2nd ed. 1673, pp. 209, 229.

[2] See M'Culloch's note to the *Wealth of Nations* as to the progressive corruption of the Bank of Amsterdam by the finance of the monopolist period.

[3] See note xi. to M'Culloch's edition of the *Wealth of Nations*.

[4] *The Tariff Problem*, 2nd ed. p. 225.

Holland occupied *in 1700.*" That is to say, fifty years after the passing of the Navigation Act, Holland retained her maritime supremacy. Yet further, Professor Ashley writes, following a German authority previously cited by Dr. Cunningham,[1] that

thus "the trade of Holland apparently went on *growing* until the decline of domestic industry, *which began about 1730*, reacted unfavourably upon export." The most important branch of that trade had been in the direction of the Baltic. Russian hemp, flax and tallow, Swedish iron, copper, and timber were distributed to the rest of the world by Dutch shipping; until in the latter half of the eighteenth century, as the same historian tells us, "England became the chief market for all the raw products of the north, *owing to the development of her manufactures.*[2]

There could not be a more decisive admission of the utter falsity of the standing protectionist pretence that the navigation laws availed to upset the Dutch shipping trade. The British expansion of the eighteenth century occurred not because of but in spite of the navigation laws of a century before; and Dutch trade, as we saw, was actually furthered by them. The protectionist, Joshua Gee, writing in 1729, speaks of the Dutch trade as "vast," and makes no pretence of comparing that of Britain with it as regards quantity.[3] Even later still the author of the *Essay upon the Causes of the Decline in Foreign Trade*, writing in 1744 and 1756, treats the Dutch trade as still unquestionably much greater than the English. The marvel is, not that after the great developments of machinery in England in the last quarter of the eighteenth century, little Holland, shaken throughout by the long convulsion of the Revolutionary and the Napoleonic wars, should fail to keep pace with an England of rapidly increasing population, richly endowed with coal and iron, but that a country with no such resources should so long hold the first place in trade as against nations many times larger in population;[4] that landless Amsterdam should

[1] *Growth of English Industry and Commerce*, ii. (3rd. ed.), 218, *note* 8.

[2] O. Pringsheim, *Beiträge zur wirtschaftlichen Entwickelungsgeschichte der vereinigten Niederlande*, 1890, pp. 11, 24.

[3] *The Trade and Navigation of Great Britain Considered*, 6th ed. 1760, pp. 141-4.

[4] Cp. Gee, as cited, p. 143.

be so long the chief European storehouse for grain;[1] and that treeless Holland should be so long the greatest centre of the timber trade and of shipbuilding. By the admission of all inquirers, "low customs" had been a main cause. And the policy which first made her relatively great is still making her prosperous.[2] Despite the check in the latter part of the eighteenth century, Holland has latterly subsisted in otherwise inexplicable prosperity[3] precisely because of her virtual free trade, which at many points—with one period of reaction—has been continuous. Only free trade could have made possible such success. And within the past generation, remaining faithful to free trade,[4] she has prospered much more,

[1] Professor Ashley makes the assertion (p. 226, *note*) that "like us, Holland sacrificed its corn-growing agriculture *to its foreign trade*," giving as his authority Hansen's *Bevölkerungstufen*, p. 283. This is an extremely misleading citation. Hansen expressly says that Holland in large part turned its land from corn-growing to (1) a more intensive culture and (2) to pasturage and dairy produce, which last has always been in much demand. To speak of this as a sacrifice to foreign trade is to set up an economic myth. Already in the seventeenth century Holland *could not* feed its large trading population. And the process under notice in Holland is now going on in protected Germany! Professor Cunningham, in turn (*English Industry and Commerce*, iii. ed. 1903, 675-6), cites two English mercantilist writers who absurdly ascribed Dutch decadence in the latter part of the eighteenth century to the substitution of exchanges and carriage for manufactures, and appears to endorse that egregious opinion. The Dutch were fishers, traders, and carriers from the start.

[2] Dr. Cunningham writes (as last cited) of "the complete destruction of her greatness which ensued when she was drawn by Napoleon into the Continental system," bracketing this with the alleged resort from manufactures to carriage as "these causes of the eventual fall of Holland."

[3] As to the relative wealth of the Dutch in the eighteenth and nineteenth centuries, compare Smith, *Wealth of Nations*, b. ii. ch. v. *end*; M'Culloch, *Treatises and Essays*, 2nd ed. 1859, p. 363; Armitage-Smith, *The Free-Trade Movement*, 2nd ed. 1903, p. 63. It is true that in a time of shrinking industry a large annual income from foreign investments, such as was long received by Holland, is not the most wholesome form of national wealth (cp. Laing, *Notes of a Traveller*, 1842, p. 10), but the period of shrinking industry in Holland is now past. The remarkable thing is that her recent rapid expansion coincides with the rise of protectionism in Germany.

[4] The compiler of the *Daily Telegraph* pamphlet, *Imperial Reciprocity*, repeatedly discusses Holland (pp. 88-89, 103) as a protectionist country, whereas it has only a few *non-protective* import duties, amounting "usually to 5 per cent of the value of manufactured articles, and *nihil*, or only 2½ per cent, if these articles are used for the industries of the country" (*Statesman's Year-Book*). The Dutch protectionist party, though chronically active, has never triumphed since the period of reaction, 1815-1846.

according to the very tests insisted on by Mr. Chamberlain and Mr. Balfour, than any protectionist country. This may be proved even if we set out from Mr. Chamberlain's test year of 1872, which was one of inflation for Holland as well as for Britain. Dutch exports and imports, fortunately, are measured not merely in terms of prices, but by actual weight; and we can accordingly note the real progression of Dutch commerce.[1] It is as follows:—

	Exports (In Kilogrammes).	Imports.
1872	2,956,000,000	6,451,000,000
1898	15,612,000,000	24,074,000,000
1901	17,764,000,000	26,221,000,000
1905	25,850,000,000	36,362,000,000
1906	27,220,000,000	38,534,000,000

	Goods in Transit.
1887	2,375,000,000 kilogrammes
1891	3,175,000,000 ,,
1901	5,949,000,000 ,,
1905	6,968,000,000 ,,
1906	7,825,000,000 ,,

It must be remembered, of course, that the Dutch expansion, being measured in quantities, is not relatively so great as it seems when contrasted with the value-figures of other nations. Still, the expansion is very great. No protectionist country whatever shows such progress in trade within the period. Unaware of the fact that Holland has no protective tariff, a "tariff reform" journalist[2] calls attention to the facts that since 1854 Holland has increased her exports by 1017 per cent, France by 255 per cent, and the U.S.A. by 566 per cent, and that since 1874 Holland has increased her exports by 430 per cent, France by 20 per cent, Germany by 117 per cent, and the U.S.A. by 152 per cent. The usual infirmity of the tariffist is here exhibited in reckoning the Dutch increase on quantities and that of the other countries

[1] It should be noted that the Dutch figures include Dutch colonial merchandise. The bulk of the expansion, however, is clearly European.

[2] *The People*, April 19, 1908. Article headed "Will Workman." Tariffists who happen to know that Holland is not a protectionist State dismiss the facts by calling her traders "middlemen." Tariffists would do well to agree on a common thesis in this and in many other matters.

on values. Still the increase is great enough to account for the attempt to put it to the credit of Protection. And though it is difficult to distinguish between Dutch produce and Dutch-carried produce, there is a clear increase in the former. The statistics show that Holland exported to Britain alone, in 1891, £1,050,455 worth of iron and steel goods; in 1898, £1,133,928; in 1901, £1,379,815; and of woollen and cotton manufactures in 1891, £3,443,698; in 1898, £3,588,327; in 1901, £3,714,793. In the same period the number of ships which cleared Dutch ports rose from 8642 in 1891 to 12,367 in 1900, and 14,049 in 1906; and the number of Dutch vessels in the carrying trade between foreign ports from 2177 in 1890 to 2318 in 1900, and 4048 in 1905; while the number of factories using steam rose from 3722 in 1891, with 4435 engines, to 4787 in 1901, with 6728 engines; and to 4936 in 1906, with 7160 engines.

We can now weigh aright Mr. Chamberlain's proposition that "Holland tried, in the time of her greatest prosperity, to retain her command of the sea, her position as carrier and merchant of the world. She tried to maintain it *without productive capacity*. She tried and failed, and you, gentlemen, cannot be more successful than she was."[1]

As against this confused sophism, which virtually alleges that Britain is without productive capacity, let us put the relevant facts.

1. Holland is to-day, as in the past, a carrier and merchant for Central Europe, and is constantly increasing her activity as such.

2. Holland is yearly increasing her productive capacity as measured by population, factories, and machinery.

3. In asserting that lack of "productive capacity" caused Holland to fail, Mr. Chamberlain quashes his own case. He had been arguing that she failed through free trade. All the while her carrying trade and transit trade are increasing yearly *in virtue of her free imports*.

4. Finally, Holland profits immensely at many points by the protectionism of her chief neighbour, Germany; several Dutch industries being enormously promoted by the German

[1] Speeches cited, p. 148.

practice of selling certain raw materials cheaper in foreign than in German markets — *i.e.* "dumping." The Dutch tinned-goods trade is a prominent instance. Still more remarkable is the transfer from Germany to Holland of the trade of building boats for the Rhine—a result of the sale of heavy plates, by the Rhenish-Westphalian producers, cheaper to the Dutch than to the German market.[1] Thus the free-trading country not only prospers steadily but does so partly at the expense of the protectionist neighbour.

5. It may be added that while the Dutch area of wheat cultivation decreases, like the British, the figures for recent years being

	Area in Hectares.
1891-1900	66,329
1903	55,518
1904	54,081
1905	60,972
1906	56,796

the *produce* of wheat per hectare has risen from 22 to 30·7 hectolitres per hectare.[2] The area under rye, on the other hand, has risen from an average of 196,112 hectares in 1871-1880 to 218,220 in 1906; oats, potatoes, peas, and beetroot have also increased; and in the same period the total yield of *every* Dutch crop per hectare has increased. This cannot be alleged of Germany as a whole.

[1] Fiscal Blue Book, Cd. 1761, 1903, p. 305, citing Sayous, *La crise allemande*, pp. 351-2.

[2] Hectare = 2½ acres; hectolitre = 2¾ bushels (roughly).

CHAPTER X

FREE TRADE IN BRITAIN

§ 1. *The Cheapening of Food*

I HAVE said that what saved free trade in Britain as against the protectionist assault after 1846 was on one hand the plain continuance of the need for free food, and on the other the overwhelming confirmation of the free trade case in the total expansion of trade and employment. It would hardly be necessary to press the first point were it not that Professor Nicholson, without intending to disparage free trade, has made the remark that "the repeal did not enable the labourer to get a whole loaf instead of a half. If we take the average twenty years, from 1827 to 1846, it works out at 57s. 4d. a quarter, and from 1850 to 1869 the average is 52s. 6d."[1] It is necessary to put the facts in a clearer light. The years 1847 and 1848 were still years of Protection, the arrangement being that till February 1, 1849, there should be a duty of 10s. when the price was under 48s., falling to 4s. when the price reached 53s. The actual average prices for 1847 and 1848 were 69s. 5d. and 50s. 6d., the latter being a year of fair crops. In 1849 the price fell to 44s. 3d. or, by another calculation, to 39s. 4d.; and the average for the four years 1849-52 is 41s. or 42s. 3d. Then there is a rise to 53s. 3d. in 1853, a year of dearth, with a very large importation, followed by three terribly dear years, 1854-56, of which the average price is 72s. 1d. These are

[1] *History of the English Corn Laws*, p. 156.

the years of loss of Russian supply through the Crimean War; and they tell heavily in Professor Nicholson's averages; while, on the other hand, the extraordinarily abundant years 1832-1835 lower deceptively the average for the corn law period. The period as a whole was one of desperately high prices.

For the purposes of the argument as to the importance of cheap food, obviously, the question is: How would prices have gone under the old corn laws in the years 1849-56? Obviously, the English harvests of those years being bad or poor, the prices in those years would have been much higher; and instead of four good years as preparation for those of dearth, the country would have passed from hardship to famine.

It is important to note, however—as was rightly done by Mill,—that the mere *absolute* reduction in wheat prices is no true measure of the gain from the repeal of the corn laws. The first effect of a more abundant supply was an increase in demand; the people *consumed* more wheat,[1] thereby preventing such a fall in price as would have happened at the old rate of consumption. But, secondly, the great argument of Cobden, that free trade in corn would react favourably all round, was fully verified by the results. The imported corn was paid for by *English exports*; labour was paid for by bread; and the workers were better able to buy at whatever price might come. This fundamentally important fact is somewhat obscured by Professor Nicholson's handling of the problem.[2]

It is much more obscured by some recent attempts, on the protectionist side, to make out that prices in the "hungry forties" were low all round. Mr. Samuel Storey has lately given, from memory, a list in which bread figures at 6d. the quartern loaf, and meat, eggs, and potatoes at much lower

[1] It was calculated that in 1842 one-third of the population did not eat wheaten bread at all (Villiers' *Speeches*, p. 256). In 1843 "many families had given up eating bread, and had taken to live solely on potatoes" (*id.* p. 298). In Stockport, in 1840, multitudes were known to live on oatmeal and potatoes; while "whole families subsist, week after week, on meal gruel" (*id.* p. 189). The evidence is overwhelming.

[2] He expressly admits, however, "We may safely say that but for the repeal the average of corn prices *would have been much higher* than was actually the case" (p. 55).

prices than those of to-day. The item as to bread suffices to remove the testimony from the field. Bread in the corn law period was so frequently at 10d. and 1s., or more,[1] that the former might be cited as the average price.[2] Potatoes and butcher meat were relatively cheap—at least in country districts; but there is abundant testimony to show that the peasantry hardly ever tasted the latter.[3] They could buy only the food that went furthest in filling their stomachs, namely, bread, and bad bread at that. Butter, in country districts, was cheaper than to-day, precisely because most people never bought any—for the poor it was an unattainable luxury; and cheese was hardly less so.[4] As regards prices in general, an actual grocer's bill of 1843 is instructive, compared with the prices of the same articles sixty years later:—

	1843.	1904.
1 lb. tea . . .	6s.	1s. 6d.
2 lbs. sugar[5]. . .	1s. 4d.	4½d.
1 lb. currants . .	8d.	3d.
1 lb. raisins . . .	8d.	4d.
1 lb. peel . . .	1s. 6d.	4d.
1 lb. ground ginger .	4s.	10d.
1 lb. sweets . . .	1s. 4d.	4d.
3 lbs. candles[6] . .	3s.	11d.
3 lbs. moist sugar. .	1s. 6d.	4½d.
	20s.	5s. 3d.

In soap and salt the differences are similar; indeed, the salt prices (21s. per bushel) in the forties were so high that it was commonly reckoned that it took the price of half a pig to pay for salting the other half.[7] Coal prices were from 1s. 8d. to 1s. 10½d. per cwt.[8]

The statistics of wheat prices, further, give no idea of the effect of the repeal of the corn laws as regards other kinds of grain. Averages of periods are not easily made; but the

[1] In *The Hungry Forties* testimonies are given to prices as high as 1s. 6d. Pp. 52, 63, 71, 99. Butter was 8d. to 1s. per lb. P. 59.

[2] One witness puts 10d. as a *minimum* price. *Id.* p. 66.

[3] Villiers' *Speeches*, as cited, p. 162; *The Hungry Forties*, People's ed. pp. 14, 25, 31, 43, 55, 56, 61, 66, 69, 72.

[4] *The Hungry Forties*, pp. 26, 53.

[5] "Vile sugar at 9d. per lb." is another account, *id.* p. 61.

[6] Cotton and rush candles cost 8d. per lb. about 1846.

[7] *The Hungry Forties*, pp. 23, 33, 117. [8] *Id.* pp. 59, 133, 168.

effect of repeal in the year 1849 alone, as against the last dear year, is significant:—

	Average Price, 1847.	Average Price, 1849.	Difference.
	s. d.	s. d.	s. d.
Wheat . .	69 5	44 3[1]	25 2
Barley . .	43 11	25 9	18 2
Oats . .	28 7	15 6	13 1
Beans . .	50 1	26 11	23 2
Peas . .	39 1	29 0	10 1

Villiers[2] calculated that in the first year of Repeal the people were saved, in expenditure on food of all kinds, a sum equal to £91,000,000, as against the expenditure of 1847. Assuming this to be greatly exaggerated, and putting the sum at only £40,000,000, we have still a fund for other forms of expenditure great enough to create such a revival of trade as had never been seen before. The revival, of course, is not to be estimated by exports alone: it would be seen largely in the home markets. And Porter, when preparing the third edition of his *Progress of the Nation* in 1850, was able to say that "the evidences of general prosperity brought forward in the following pages are indeed as clear and conclusive in favour of a free trade policy as any of its warmest advocates could have hoped to witness."

Finally, while the argument *post hoc ergo propter hoc* is to be handled with special caution in regard to vital statistics, in view of the difficulty of collating all the probable factors, there is a haunting significance in this table,[3] which does not seem to have been challenged at the time:—

Years.	Average Wheat Price.	Deaths.	Excess of Deaths over Year of Lowest Price.
	s. d.		
1801 . .	118 3	55,965	11,171
1804 . .	60 1	44,794	...
1807 . .	73 3	48,108	3314
1810 . .	106 2	54,864	10,070

[1] Villiers says 39s. 4d. I take the higher figure as the more probable, besides making the smaller claim for free trade.

[2] *Speeches*, p. 557.

[3] Villiers' *Speeches*, p. 190.

That victual statistics are vital statistics is in any case a safe thesis; and when contemporary protectionists are found citing a lowering death-rate as part of the argument for Protection in Germany,[1] the above figures, which neglect no such factor of rapidly improving sanitary science as comes into play in the modern period, are worth remembering.

§ 2. *Trade Expansion in the Eighteenth Century*

As regards trade expansion, the facts are so clear that it is difficult to overstate the audacity of the attempt to prove the contrary. The demonstration began immediately after the ratification of Pitt's Treaty of Commerce with France in 1787,[2] negotiated by Eden. This treaty sought to establish "a system of commerce on the basis of reciprocity and mutual convenience, which, by discontinuing the prohibitions and prohibitory duties which have existed for almost a century between the two nations, might procure the most solid advantages on both sides to the national productions and industry, and put an end to the contraband trade"; and it provided for "a reciprocal and entirely perfect liberty of navigation and commerce between the subjects of each party" in Europe. It did not abolish import duties, but reduced and equalised them nearly all round. Thus the agreement was but a modest step towards free trade between two countries whose total commercial intercourse had for a century been kept within very narrow limits.

Trade, indeed, had already begun to improve on the conclusion of the war with the American colonies in 1783; but the rate of its augmentation with France in particular, while the treaty lasted, is a decisive proof of the gain on both sides. The official figures[3] of our general trade from 1782 to 1792 are as follows:—

[1] So Professor W. J. Ashley, in his *Progress of the German Working Classes*, 1904.

[2] Treaty signed at Versailles September 26, 1786, confirmed by Parliament March 8, 1787, passed by Act 27 Geo. III. c. 13, on April 25, 1787.

[3] The Official Abstracts are given in Macpherson's *Annals of Commerce*. See also Craik, iii. 83.

	U.K. Exports.	U.K. Imports.
1782 . . .	£13,009,458	£10,341,628
1783 . . .	14,681,494	13,122,235
1784 . . .	15,101,491	15,272,877
1785 . . .	16,117,168	16,279,419
1786 . . .	16,300,730	15,786,072
1787 . . .	16,869,789	17,804,024
1788 . . .	17,472,238	18,027,170
1789 . . .	19,340,548	17,821,102
1790 . . .	20,120,121	19,130,886
1791 . . .	22,731,995	19,669,782
1792 . . .	24,905,200	19,659,358[1]

Thus exports were but slightly increasing, and imports even decreasing, between 1785 and 1786, whereas exports increase rapidly and continually, and imports with two slight declines, from 1787 to 1792; the total expansion of trade being 90·8 per cent. The figures for our trade with France[2] are as follows:—

	Exports to France.	Imports from France.
1783 . . .	£98,166	£87,119
1784 . . .	495,572	141,568
1785 . . .	604,313	211,791
1786 . . .	612,519	266,121
1787 . . .	986,906	577,012
1788 . . .	1,259,672	452,986
1789 . . .	1,290,171	556,060
1790 . . .	872,323	605,371
1791 . . .	1,131,376	546,057
1792 . . .	1,228,165	717,634

It is thus clear that while there was a marked recovery in Anglo-French trade after the cessation of the war, the expansion goes forward with a bound in 1787; and while there is a fall in the imports in 1788-89, when France was being newly perturbed by the beginnings of the Revolution, and a consequent fall in the exports in 1790, the imports recover in 1790; and from that point to 1792 they bear a much higher proportion to the exports than they had done before the treaty. Needless to add, the accounts between France

[1] It has to be remembered that the British importers of the period commonly understated the value of their imports, by way of defrauding the revenue. But the misstatement may be assumed to have been on much the same scale in successive years. Cp. Tooke, *Thoughts on Prices*, i. (2nd ed.), 178-9.

[2] Craik, iii. 92-93.

and England would be balanced by French exports to other countries which traded with England.

A characteristic attempt has been made by List to show that French manufactures were nearly ruined by the Eden Treaty, "while the French wine-growers had gained but little."[1] The foregoing figures suffice to show the worthlessness of the assertion, which is typical of List's polemic. From the very first year of the treaty, our imports from France bear a much higher proportion to our exports thither than they had done before (saving in the transition year 1783, when trade is still very small). In 1784 they are less than a third; in 1785, little over a third; in 1786, still much less than half. In 1790 they are over two-thirds; in 1792, though the proportion is less, the increase over 1786 is nearly threefold. If in this great increase of French exports to England the manufacturers had no share, and the wine trade little, who were the French exporters? On the English side the exports reached high-water mark in 1789, while the French exports are at their highest in 1792. On the other hand, whereas British exports to Germany increased very slightly from 1785 to 1788, and the imports fell off, the exports rose from £1,473,308 in 1788 to £2,139,110 in 1792, while the imports increased only from £448,863 to £650,436. Then Germany, without a treaty, was being "ruined" much faster than France. Much of the trade in both cases, of course, was roundabout.

The value of List's reasoning may be further measured by noting his further affirmations. He asserts (1) that the results of the treaty convinced the French Government that "it is easier to ruin flourishing manufactures in a few years than to revive ruined manufactures *in a whole generation.*" He is of course careful to suppress the fact that France actually entered into similar treaties with Holland and Russia, and that in 1791 the Constituent Assembly practically ratified the principles of the Eden Treaty by drawing up a moderate general tariff. But he proceeds to assert (2) that under Napoleon, despite incessant wars and loss of most of the French maritime trade and all the French colonies,

[1] *The National System of Political Economy*, Eng. tr. ed. 1904, p. 59.

Protection not only remedied the "ruin" of the Eden Treaty but raised French manufactures to the highest prosperity they had yet enjoyed. And finally he claims for Protection (3) the credit of doubling their productive power between 1817 and 1827, in a state of absolute peace.[1]

A recent English disciple of List, outdoing his master, hardily affirms that the Eden Treaty caused the French Revolution, by "starving" and ruining French manufactures.[2] He begins his proof by citing Arthur Young's accounts[3] of the violent opposition of French manufacturers in 1787 to the new treaty of commerce. He of course makes no allusion to Young's constant testimony to the extreme and indurated poverty of rural France after ages of Protection.[4] And when he does quote the later passage in which Young, after noting a depression of manufactures in 1787 and 1788, ascribes the later unemployment to the Revolution itself, our protectionist utterly misinterprets the testimony. Young writes: "The rivalry of the English fabrics, in 1787 and 1788, was strong and successful; *and the confusions that followed in all parts of the kingdom* had the effect of lessening the incomes of so many landlords, clergy, and men in public employments, *and such numbers fled from the kingdom*, that the general mass of the consumption of the national fabrics sank perhaps three-fourths."[5] The context shows that our protectionist takes "the confusions that followed" to be the *results* of the "rivalry of the English fabrics"; but the whole of Young's book shows him to have entertained no such preposterous idea.[6] The "confusions that followed" (*i.e. in time*, not *in*

[1] Work cited, p. 61.

[2] J. W. Welsford, *The Strength of Nations: An Argument from History*, 1907, pp. 184, 185.

[3] *Travels in France*, Bohn ed. 1890, pp. 8, 9.

[4] *E.g.*, within three lines of the first mention of the treaty: "Poverty and poor crops to Amiens: women . . . ploughing." P. 19: "The same wretched country continues to La Loge: the fields are scenes of pitiable management, as the houses are of misery." P. 21: "The husbandry poor and the people miserable." P. 27: "All the country girls and women are without shoes or stockings. . . . It reminded me of the misery of Ireland"; and so on.

[5] Welsford, p. 192; Young, Bohn ed. p. 328.

[6] In another passage Mr. Welsford completely misunderstands Young's text. He speaks (p. 191) of the journal as quoting a "French cheapjack

consequence) were those of the Revolution; and the "landlords, clergy, and men in public employments" lost their incomes through the general disorder, and through the dearth and distress, not through depression in manufactures. If Young supposed such depression to be the originating cause, how came he to say nothing of the loss of *artisans'* and *manufacturers'* incomes? The whole theorem is a mare's nest; and the statement[1] that "after the [Eden] treaty was signed in 1786 there was a great influx of English goods into France, *followed by want of employment and terrible distress*," is rhodomontade. The writer himself notes in a previous chapter[2] that "in 1788 the crops in France were seriously injured by drought, and a terrible hailstorm at the time of harvest destroyed the small amount there was to be gathered"; and further, that "the winter of 1788 was the severest experienced since 1709; the Seine was frozen from Paris to Havre, *and naturally building ceased.*" Add that in June of 1789 "the want of *bread* was terrible,"[3] and the theory of a ruin and a Revolution wrought by two years of lowered tariffs is seen to dissolve in air. It deserves indeed to be dismissed as beneath discussion; but protectionist propaganda does not admit of being sifted.

§ 3. *The Reforms of Huskisson and Sydenham*

The next testing-points are the effects of the modification of the Navigation Acts in 1822 and Huskisson's tariff reductions of 1825-26.[4] Shipowners, like the other pro-

selling *English goods*" in favour of the treaty. The dealer in question was selling *French imitations* of English goods, and arguing that the quality of French goods was being improved. Young, ed. cited, p. 117.

[1] Welsford, p. 215. [2] P. 195.

[3] Young, p. 154.

[4] The importance of these may be seen by comparing them with those effected by Pitt in 1787:—

Articles.	Pitt's Tariff, 1787.			Duties in 1819.			Huskisson's Tariff, 1825.		
	£	s.	d.	£	s.	d.	£	s.	d.
Cotton Goods, per cent .	44	0	0	50	0	0	10	0	0
Woollen ,, . . .	Prohibited			50	0	0	15	0	0
Linen ,, . . .	44	0	0	50	0	0	25	0	0

tected interests, had been complaining bitterly of depression from 1815 onwards;[1] and each relaxation of the Navigation Laws was met on their side by agonised predictions of national ruin. The first step had been the withdrawal of the embargo on American shipping after the peace; and it was in this connection that the gain from freedom was most convincing. The increase of shipping engaged in the foreign trade of the United States from 1821 to 1844 was from 55,188 to over 750,000 tons, or 1289 per cent, while the increase in American shipping was only 158 per cent.[2] In the same period the increase in the proportion of foreign tonnage entering British ports was only from 21 to 28 per cent—a complete refutation of the alarmist prophecies of the devotees of the Navigation Act. In the same period the total British tonnage increased by 155 per cent.[3]

As regards the reduction of silk duties and the substitution of *ad valorem* duties for prohibition of silk manufactures in 1826, the result was no less convincing. The trade had uttered the usual cries of terror, predicting ruin, doubtless in all sincerity.[4] "Yet seven years had scarcely elapsed . . . when the weavers of Macclesfield harnessed themselves to the carriage of Mr. Huskisson, and drew him through their town in triumph. He had saved their trade. So far from his measures having proved its destruction, but for these, to quote the language of a distinguished manufacturer, 'we should have had no silk trade to talk of.'"[5] During the ten years preceding 1824 the quantity of raw and thrown silk used by our manufacturers amounted to 19,409,023 lbs., an average of 1,940,902 lbs. In the twelve years following, the

Silk Goods	.	.	.	Prohibited			Prohibited			25 to 30 %	
Leather	,,	.	.	.	Prohibited			75	0	0	30	0	0
Earthenware Goods			.	45	0	0	75	0	0	15	0	0
Bar iron, per ton		.	.	2	16	2	6	10	0	1	10	0
Olive oil, per tun		.	.	8	8	10½	18	15	7	4	4	0
Sugar	.	.	.	.	2	5	6	4	6	8	3	3	0

Leone Levi, *Hist. of Brit. Comm. 1763-1870*, 1872, p. 169.

[1] Porter, *Progress of the Nation*, ed. 1815, p. 390.

[2] Dunckley, *The Charter of the Nations*, p. 103.

[3] *Id.* pp. 104-5.

[4] Martineau, ii. 479.

[5] Dunckley, p. 109.

quantity rose to 49,973,331 lbs., an average of 4,164,444 lbs. Within a year of the change, the number of throwing mills had risen from 175 to 266, and that of spindles from 780,000 to 1,180,000.[1] An immediate result of the change was thus a great improvement in machinery; and the one district which felt distress, Coventry, was one of antiquated and inefficient machinery.[2]

Duties had been similarly reduced on imported wool in 1825, and exportation of raw wool permitted. The result was an importation of 40,000,000 lbs. in the year, and an exportation of only 100,000 lbs.[3] But in the case of wool there could be, under the corn laws, no adequate exportation to keep up prices, though in 1844 it had reached double the figure at which it stood in 1824.[4] Similar results took place in the case of glass and linen.[5] It is true that sequence in time does not imply causation; and it has been argued that the real forces expanding trade after 1846 were those of machinery and railways. But while these of course played a great part, the statistics give crucial testimony to the fact that free trade enhanced enormously their operation. Machinery had been freely in use for half a century before the repeal of the corn laws, with the results in popular life which we have seen. On the other hand, every protectionist prediction as to the fatal effect of the new policy was falsified from the start; and it is to be noted that the "argument from steam" is an abandonment of the old protectionist position, which admitted no virtue in machinery to improve life. Yet another test of the expansive virtue of relative freedom in trade was available from the year 1831 onwards, in respect of the relaxations of tariff begun in that year by Lord Sydenham, and continued through the decade. Among the more important were the reductions upon French wines and other French produce. This was done without reciprocity. "In the meanwhile," wrote Porter in 1849, "France has made no relaxations in favour of British produce, but, on the contrary, has in the presumed interest of her flax-spinners

[1] Porter, p. 255.
[2] Martineau, i. 480.
[3] *Id.* p. 483.
[4] Dunckley, pp. 117-9.
[5] *Id.* pp. 114-6, 119-23.

and linen-weavers more than doubled the duties chargeable upon linen and linen yarn. Notwithstanding this, the result has been that our greater purchases from France have compelled her to increase her purchases from England, and that our shipments to that country have since amounted in one year to more than three millions, or more than sevenfold their value before 1831."[1] This case alone, thoroughly understood, might have opened the eyes of protectionists both in England and France. The French increase of linen duties not only could not keep out the English goods required to pay for the French wines bought in England; it merely crippled the French linen-weaver, who had now to pay more for his raw material, and consequently raised his prices. Thereupon not only was his home trade curtailed, but he was hopelessly distanced in the neutral markets where he had formerly competed with the linens of England and Germany. Thus the check to the English exporter of linen yarns was at once mated by the new demand for English linens, and by the further demand for English linen yarns in Germany, where export was equally stimulated by the French policy; whereas France, having sought to help her linen industry by Protection, saw that actually dwindle, while the unprotected and (then) unprotectable wine trade flourished—all to the benefit of the English trader, and at the ultimate cost of the French consumers who bought imported English goods at artificially high prices. And, as was pertinently asked by the English free-traders, "had England put off her relaxations until France could be found in a corresponding humour, how much of the increase above-mentioned would have been experienced?"[2] The inferrible truth is that, limited as was the progress of English trade in the first half of the nineteenth century by reason of the central check upon all expansion set up by the corn laws, that progress would have been much less, and the total distress would have been much greater, but for the alleviations resulting from the successive reductions of tariffs and restrictions of the navigation laws which preceded the total repeal of both.

[1] Note to trans. of Bastiat's *Sophismes Économiques*, 1849, p. 149.
[2] *Id.* p. 150.

§ 4. *The Legend of "Supremacy" under Protection*

It is necessary in this connection to guard against two correlative misconceptions which are constantly current on the protectionist side. It is maintained on the one hand that English manufactures had already attained "supremacy" before 1846,[1] and on the other hand that not till the free trade period did English capital and labour show the way to the nations of the Continent by setting up and working there English machines. Both propositions are utterly erroneous; and the writers cited can have made no research on the subject. As we have already seen,[2] English manufacturers long before 1846 had to complain again and again that by reason of English protectionism they were being beaten in many foreign markets by German, Swiss, and American competition. "The continent of Europe and the United States of America," writes a historian of the cotton trade in 1836, "for some time after the peace of 1814, possessed factories upon so small a scale that they could not be regarded as our rivals in the business of the world; but now they work up nearly 750,000 bales of cotton wool, which is about three-fourths of our consumption, and have become formidable competitors to us in many markets heretofore exclusively our own."[3] Thus, ten years before the repeal of the corn laws, the free-traders of England could accurately make out against Protection just such a case of stagnation in British trade, and progress in foreign competition, as it is latterly and loosely sought by protectionists to make out against free trade. American goods in particular were

[1] "When we decided on a free trade policy, about sixty years ago, our supremacy in industry and commerce was beyond challenge." "We were in all or nearly all departments an easy first, and a match for the world" (Kirkup, *Progress and the Fiscal Problem*, 1905, pp. 8, 22-3, cp. p. 28). "England was already in a position of pre-eminent advantage over all competitors in the field of trade," "with the exception of France" (Sir Vincent Caillard, *Imperial Fiscal Reform*, 1903, p. 47). France was in reality one of the manufacturing countries least feared as a rival by the English manufacturers of the protectionist period. [2] See above, ch. vi.

[3] Dr. Andrew Ure, *The Cotton Manufacture of Great Britain Systematically Investigated*, 1836, vol. i. p. xxvi. See the abundant statistical details given throughout the introduction.

rapidly superseding English in the "neutral" markets[1] of China, India, Chile, Brazil, Manilla, Malta, Asia Minor, and the Cape of Good Hope.[2] As against this, it was small consolation to be able to quote the petition of the protected cotton manufacturers of Mulhausen to the king of France in 1832: "Our looms are wholly abandoned, and our labourers without food."[3]

Free-traders have been at times accused of claiming pharisaically that the British adoption of free trade was a philanthropic step taken in the interests of mankind.[4] But it is a protectionist, Mr. Kirkup, who writes:—

> In the generation which followed our adoption of free trade we sent our new machinery to foreign nations. We also sent them skilled men, who taught them our methods. Our policy of free trade was thus a real boon to the world, which came into possession of the methods and appliances of the new industry at an earlier date than would have been possible if we had followed a narrower and more selfish policy.[5]

In point of fact, all this had been done long before the British resort to free trade. So accessible a work as the Speeches of Cobden could have informed Mr. Kirkup that in 1842 it would be impossible to visit any continental town of 10,000 inhabitants without finding "Englishmen who are earning thrice the wages the natives earn," while "yet their employers declare that they are the cheapest labourers."[6] He might further have learned from Ure that, in and before the 'thirties,

> Every strike in Great Britain has been the era of new factory creations abroad. The unions ship off their members to maintain a maximum rate of wages. During the disastrous strike in

[1] This while British goods competed with American *in* the protected American market. Cp. Cobden's speech of August 25, 1841.

[2] Ure, as cited, pp. liii.-lv.

[3] Quoted by Sir John Bowring to the Silk Trade Committee of 1832. Ure, p. lxiv.

[4] Sir Vincent Caillard (*Imperial Fiscal Reform*, 1903, p. 147) speaks of "us" as doing this sort of thing; but the charge by implication lies against free-traders.

[5] *Progress and the Fiscal Problem*, p. 26.

[6] Speech of Feb. 24, 1842.

Lancashire and Lanarkshire of 1829, many of our spinners who were prevented from working went to France, Belgium, and the United States, and introduced improved and profitable methods previously unknown in these countries,—all tending to subvert our cotton supremacy.[1]

From the same source he might learn that cotton mills with machines on the newest principles, some of them superior to the best English machinery then running, could be found in 1836 in Italy, Antwerp, Switzerland, Alsace, and the United States.[2]

The most decisive testimony on the subject is perhaps that furnished by the Reports of the Parliamentary Committees of 1824-25 and 1841 on the Exportation of Machinery. Prohibition of such exportation had been part of the protectionist policy for over a century.[3] In 1696 a law[4] was passed to prohibit the exportation of Lee's stocking frames, which had been originally refused a patent in Lee's own country, and were actually made in France, where he had in person established the manufacture. The futility of this prohibition was repeated in the Act of 1750,[5] which vetoes the exportation of tools and machines used in making woollen and silk fabrics, though then, as long afterwards, the continental machines for silk-making were admittedly the best. In 1774,[6] again, a veto was laid on the export of tools and utensils used in the cotton and linen manufactures, though the linen manufacture was then known to be much more advanced on the Continent than in England. Then in the years 1781, '82, and '85, came a series of Acts[7] rapidly extending the prohibitions to the tools, models, plans, and engines of all kinds used in the manufactures of wool, cotton, linen, silk, steel, and iron. The Act of 1785 was in fact so reckless that in the following year it had to be repealed by another, which permitted a long list of exemptions.[8] The

[1] Ure, as cited, p. xix., and see above, p. 85.
[2] Ure, pp. xxviii., xxix., xxxii., xxxiii., xxxvii., l., li., lix., lxi., lxx., lxxi., lxxv., lxxvi.
[3] See the Report of the Committee in 1825, pp. 6-7.
[4] 7 & 8 Wil. III. [5] 23 Geo. III. c. 13. [6] 14 Geo. III. c. 71.
[7] 21 Geo. III. c. 37; 22 Geo. III. c. 60; 25 Geo. III. c. 67.
[8] 26 Geo. III. cc. 76, 89.

outcome was that, as new machines were being constantly invented, the customs officers had almost insuperable difficulty in deciding, after a time, what machines were prohibited and what were not; and manufacturers could generally evade the law by so packing parts of different machines together as to make their object unrecognisable.

As early as 1824, it is clear, the practice of exporting prohibited machinery was very common; and, further, machines on English models were being made on the Continent in great numbers, often in factories managed by Englishmen.[1] The prohibitive laws were "very easily evaded," and there were very few seizures. The traffic was so general that the French Government had laid on an import duty, first of 15 and later of 30 per cent *ad valorem*. But apart from this export trade it was notorious that specifications of nearly every English machine could easily be obtained by foreign makers; indeed the Society for the Encouragement of the Arts and Sciences published annually a volume of descriptions and drawings of new machines which could be copied by artisans anywhere.[2]

The only official effect of the inquiry of 1824-25 was to make the Treasury more ready to grant licences on the recommendation of the Board of Trade, and the customs officials more lax than ever in their inquisition; but this was all that was required to make exportation virtually free, albeit largely by way of smuggling.[3] Meantime, foreign engineers had become more and more capable of making machinery for themselves; and before the Committee of 1841 one witness testified that "machine-making abroad is rapidly progressing towards perfection."[4] Consistently with the general futility of the prohibitive legislation, the tools and machines for *making* machines had all along been under no prohibition: "the law," said an official, "has never attempted such a thing."[5] It is clear, then, that English machinery, tools, plans, artisans, and managers had been actively at work even in the latter part of the eighteenth century, and much more from 1815 onwards, in setting up on the Continent

[1] Report cited, pp. 6, 18, etc. [2] *Id.* p. 19.
[3] Report of Committee of 1841, p. 30. [4] *Id.* p. 71. [5] *Id.* p. 8.

manufacturing industries which competed with our own. Of all this competition, be it noted, the free-traders of Cobden's school had no fear; it was precisely home Protection that handicapped them.

When the facts are thus cleared up, it is not difficult to dispose of the arguments by which some even of the less uncritical protectionists seek to belittle, without altogether denying, the expansive effects of freedom on trade. Mr. Kirkup[1] seeks to lay a main part of the misery of the years 1839-42 on the bad seasons—of which free trade in corn would have mitigated the distress—and on the repeal of the old Poor Law in 1834. But we have seen recurrences of desperate misery in our survey of the period before 1834; and the very wording of Mr. Kirkup's arguments reveals the weakness of his case. First, he makes the corn laws "only one important item in a complex *group of causes*;"[2] next he discovers that "free trade was merely an important *condition* of our industrial expansion. The *real* and *substantial causes* of our prosperity were to be found in the skill and energy of the British people, working under most favourable circumstances."[3] Here the corn laws are "causes," and free trade "*merely* an important *condition*," not a "real cause." Schopenhauer might have taught Mr. Kirkup that conditions, properly so named, *are* causes. The case for free trade is precisely this, that it sets up, on the whole, the "most favourable circumstances," which make so immense a difference. Mr Kirkup's further rhetoric about "the twin sisters, freedom and opportunity," is an admission to the same effect.

It is true that colour is given to such reasoning as Mr. Kirkup's by the prefatory avowal of Fawcett that "we in England are much too prone to overstate the results of free trade. Scarcely a week elapses without its being said, *as if* it were a triumphant rejoinder to all that is urged by the American, the Continental, or the Colonial protectionist, 'English exports and imports have more than quadrupled since protection was abolished; the income of the country has more than doubled; wages have advanced; and popula-

[1] As cited, pp. 20-21. [2] P. 21. [3] Pp. 23-4.

tion has increased.' But a moment's consideration will show that other causes have been in operation besides free trade to promote this wonderful growth of prosperity"—such as railways, machinery, gold discovery, etc.[1] It is difficult to understand how Fawcett can have supposed this to be denied by any human being, or can have even thought that any disputant had ever failed to give the "moment's consideration" required to perceive it. It is in the nature of discussion that one thing should be said at a time; and the proposition as to expansion under free trade *is* the relevant and adequate rejoinder to certain protectionist propositions. Further propositions are met by further answers—no disputant worth noticing ever put that cited as a rejoinder to "all that is urged" by foreign protectionists. In the effort to conciliate the protectionists whom he hoped to convert, Fawcett was merely disparaging at random the men on his own side—a course which seldom attains its end.

§ 5. *Before and after Free Trade*

If, further, protectionists deny that trade expansion after 1850 is to be attributed to free imports, they cancel their own case, which is based on the assumption that all expansion of trade after the establishment of tariffs in any country must be ascribed to those tariffs. Now, if we take the ten-year averages of British export trade for the first thirty years of the nineteenth century, in which period, while there were some useful relaxations of tariffs by Huskisson, the corn laws were in full force, we get a result which, on the face of it, is fatal to protectionism:—

AVERAGE ANNUAL EXPORT OF BRITISH PRODUCE AND MANUFACTURES

1801-10	£40,737,970
1811-20	41,484,461
1821-30	36,597,623[2]

In fairness, of course, we must at once note that *prices* in the first two decades must have been on the whole much

[1] *Free Trade and Protection*, 1878, pp. 11-12.
[2] Porter, *Progress of the Nation*, 1838, ii. 100-102; ed. 1851, pp. 357-8.

higher than in the third by reason of the state of war,[1] and the later progress of machinery,[2] so that the contrast of the two record years

1815	. . . . .	exports, £51,632,971
1836	. . . . .	„ 53,368,572

does not trustworthily measure the increase in *quantities*. But, on the one hand, the same consideration must be kept in view when we deal with protectionist figures in regard to exports before and after 1872—a year of greatly inflated prices—and, on the other hand, we can actually trace at once fall in prices and increase in quantity of trade after 1850. "The index number changes from 103 in 1840 to 75 in 1851, *i.e.* £75 in 1851 went as far as £103 in 1840, while incomes and wages had slightly increased."[3] As regards the increase in quantity of product, it cannot be disputed by those who point to "steam and railways" as explaining it. To deny it would be to turn round and say that there is nothing to explain.

The clearest notion of the total expansion, and of the rates of it, may be had by consulting such diagrams as those so carefully compiled by Mr. Bowley. Taking the total of exports and imports together, we find that from 1800 (for which the total is £75,000,000) to 1820 there is no advance, though there were rises, one lasting four years (1814-18) at twenty-five millions higher, and one short fall to the same extent. From 1820 to 1824 there is no measurable advance; from 1826 to 1834 the £100,000,000 level is maintained; then it rises to £125,000,000 in 1838, and remains there till 1842, when Peel makes his first great reductions in tariffs. By 1846 it has reached £150,000,000, and then, at a quickening gradient, it rises continuously to some £375,000,000 in 1860. Then for two years progress is slow, whereafter we have two rapid rises to 1872, divided by a fall of £25,000,000 in 1866-68. Thereafter the line becomes markedly serrated, partly through real depressions, partly through falls in prices, which at length cause new

[1] Cp. A. L. Bowley, *England's Foreign Trade in the Nineteenth Century*, 1893, p. 50; Tooke's *History of Prices*, passim.

[2] In 1824 Tooke calls this "astonishing," vol. i. (2nd ed.) p. 70.

[3] Bowley, as cited, p. 51.

expansions in total value. If instead of taking total values we reduce these to terms of index numbers, which give us the actual increase in production and imports, we have roughly this: a rate of rise from 1820 to 1840 which, if continued, would have led in 1900 to a total trade of £250,000,000, whereas the gradient rises so rapidly after 1842, still more after 1846, that in 1892—with only a fall of two years from 1884 to 1886—it has reached a figure of £750,000,000.

This general view does not exhibit minor fluctuations in values. Taking a minuter diagram, however, we find simply a more continuously serrated line, showing the same main fact of immensely quickened rise of gradient from 1842, 1846, and 1852 or 1854 (whereafter imports are valued more trustworthily). Every intelligent free-trader recognises, of course, that forces of expansion arose independently of free trade; for instance, the gold discoveries of 1849 and 1852 in California and Australia. On the other hand, forces of retardation arose; for instance, the cotton famine during the American Civil War, which in the four years 1862-65 reduced our imports of raw cotton to an average of 7½ million lbs. as against the 14 millions of 1860 and of 1866, prices on both sides rising proportionately to the relief afforded by the new cotton imports from India and Egypt. It is instructive to note, further, that marked depressions of total trade occur in terms of times of war, or in consequence of wars, as after the German collapse of 1873, following on the payment of the French indemnity.[1] But what it is above all important to realise is that *quantities* produced have, on the whole, increased much more than values, by reason of the constant improvements in machinery and transport; and that, accordingly, the improvement in the main conditions of well-being for the population is much greater than the money figures of trade indicate. Take, for instance, the following table:—

[1] Bowley, p. 40.

[TABLE

EXPORTS OF COTTON, YARN, AND MANUFACTURES

Year.	Piece Goods.	Yarn and Thread.	Value of Cotton Exports.	Percentage of British Produce.
1861 .	2563 million yds.	183 million lbs.	£46,872,489	37
1870 .	3266 „	193 „	71,416,345	35
1880 .	4495 „	228 „	75,564,056	34
1890 .	5124 „	276 „	74,730,749	28
1900 .				
1906 .	6260 „	307 „	87,743,312	23

Even the measurement of yarn and thread by weight does not tell the whole story of the advance, for the finer threads and yarns weigh less than the coarser. Everywhere more is produced at less cost, that is, at less output of human labour, with a larger dividend of actualities for all concerned, and a larger margin of labour power for other forms of work.

Of course, similar phenomena occur under Protection—with a difference. In a protectionist country with a large population and plenty of coal and iron, mechanical improvement will proceed as elsewhere; and American watches, for instance, are produced at wonderfully low prices. But, in terms of the case, the lowest prices are for the goods *exported*: the purpose of Protection is to enable the maker to get high prices from his own people, while, to compete elsewhere, he must sell cheap. Thus the free-trading country, other things being broadly equal, will always have the largest real dividend, the largest return per head for labour, since its people are constantly pressed to spend their labour and capital in the most fruitful fashion, whereas in the protectionist country the constant effort of the tariff is to "make work" which would not otherwise be profitable, either for artisans or for cultivators. Of this extra output of labour, all, broadly speaking, must bear the burden; and even relative advantages in the way of relatively large food supply (*i.e.* fruitfulness of soil), small debt, or small military burdens will be neutralised, as regards *distribution* of wealth, by the amount of artificial or wasted labour set up by the tariff. Capital alone can hope for a larger relative dividend, for the reason that prices always rise more easily than wages. Thus free trade is visibly the

democratic fiscal system, whether or not it is adopted by the nominally democratic communities.

It is not easy to reach an accurate estimate of the real dividend.[1] Consumption of coal per head does not measure fruition, for new methods of fuel and power-supply increase the energy value of coal per ton; and even consumption of grain per head does not measure nutrition, since more or less may be used to make liquor, and other foods may be consumed in differing degrees. But one very good measure of the real return to labour in the leading countries of the world was supplied to the United States Labour Department in 1903 by Mr. Carroll D. Wright, its Director. At that time Mr. Wright estimated that the food of American workers cost them only 33 per cent of their wages, as against 45 per cent in the case of English and 55 in the case of continental workers. Here we see something like the natural advantage derivable from the abundance of the American food supply. But even at that date the tariff system had so increased the friction or waste element in American labour that the natural advantage was lost in other respects. Applying the most comprehensive method of test, he sought to ascertain how much labour it costs an average workman to maintain an average family in a given country at its prevalent rates for food, rent, clothing, taxes, etc., and he reached the following results: England, 205 days' work per annum; United States, 225; France, 231; Germany, 240; Russia, 286; Italy, 290. Square yards of statistics are summarised in this impartial synthesis.

§ 6. *British* versus *American Shipping.*

If we can name any one industry which in its mere rate of expansion offers an impartial test as between free-trading and protectionist countries, it is that of shipping; and as between Britain and other leading countries that of ship-building involves no unfairness in favour of Britain, since America is better, and Germany as well, supplied with the

[1] See Bowley, *National Progress in Wealth and Trade*, 1904, for a judicial study of the difficulties.

raw materials. On the sea, competition is open to all, and tariffs seek to burden the shipping of all aliens. The statistics of shipping expansion are thus of crucial significance. And no less clearly in the case of Britain than in the case of old republican Holland, they testify to the enormous advantages involved in free trade.[1]

First let us take the tonnage figures of British shipping for the whole of the nineteenth century, remembering that in the age of the Napoleonic wars our shipping had every stimulus which Protection could give, down to a practical monopoly of the carriage of East and West Indian produce[2]:—

Year.	Tons.
1801	1,970,000[3]
1811	2,247,322
1821	2,355,853
1831	2,224,356
1841	2,935,399
1851	3,662,344
1861	4,806,826
1871	5,694,123
1881	6,691,996
1891	8,279,297
1901	9,608,420
1906	11,167,332

Of this tonnage of 11,167,332, be it observed, no less than 9,612,013 is steam; and as one ton of average steam shipping is to-day reckoned to do the work of three tons of modern sail, and Britain has now the highest percentage of efficiency in the world, alike for steam and sail,[4] it is quite safe to say that, putting the tonnage of 1806 at 2,100,000, our shipping in 1906 is sixteen times that of 1806 in carrying power.[5] But the significance of these figures comes out

[1] "Tooke has shown," remarks Professor Nicholson, "that the restraints on the corn trade before 1846 directly and seriously injured the shipping trade" (*History of the English Corn Laws*, p. 127, citing Tooke, iii. 36).

[2] Tooke, *Thoughts on Prices*, i. (2nd ed.) 174.

[3] The first available figures are for 1803—1,986,076.

[4] See the pamphlets of Mr. Russell Rea, *Shipping and Free Trade* (Cobden Club), pp. 16-17, and Mr. Newbiggin, *Shipping and Fiscal Policy* (North of England F. T. Assoc., 1905).

[5] Probably "twenty times" would be well within the truth. See above, p. 30, as to the backwardness of English ship-construction in the period of monopoly.

only when we contrast our progress with that of the United States.

In the first sixty years of the nineteenth century the shipping of the States was increasing at a more rapid rate than British. They did their shipbuilding, for the time, under free-trade conditions; and, whereas Britain in her protectionist period put heavy duties on both timber and ropes—with a preference to the timber of Canada, which was well known to be far less suitable for shipbuilding than that of the Baltic[1]—she could not then build ships nearly so cheaply as did the builders of the Baltic ports.[2] Even so late as 1860, accordingly, the shipping of the United States was still tending to overtake ours in quantity of tonnage; and her steam tonnage was increasing in much the larger proportion. The figures of shipping registered for oversea foreign trade, in the United States and Britain respectively in 1840, 1850, 1860, and 1906 were:—

	1840.	1850.	1860.	1906.
U.S. tonnage .	899,765	1,585,711	2,546,237	939,846
British ,, .	2,768,262	3,565,133	4,658,687	11,167,332

and for the ten years 1895-1904 the U.S. tonnage was under 900,000.

What is the explanation? This, that just when the United States shipping had attained in tonnage to 54 per cent of the British (after having been only 32 per cent in

[1] Cp. Tooke, *Thoughts on Prices*, i. (2nd ed.) 177, note. "The regulation of the timber duties, acting as a premium for dry rot, and yielding in impolicy and injustice to our corn laws only," multiplied bad colonial ships also.

[2] In 1821 evidence was given before the Parliamentary Committee on Foreign Trade that the cost of building a ship of 514 tons was £9130 in England, £4342 in Norway or Sweden, and £5123 in Prussia; which worked out at £17 : 15 : 3, £8 : 8 : 11⅔, and £9 : 19 : 4 respectively. See A. M'Donnell (a defender of Protection), *Free Trade*, 1826, p. 272. "The articles burdened with duty are chiefly the timber and the hemp" (p. 274); and the main differences of cost were accordingly on the hull, woodwork, and ropes. But victualling also cost thrice as much in England as on the Baltic (p. 275). Before a Parliamentary Committee in 1820, again, a witness testified that "they build ships in Genoa at a very small charge, and they sail them at one-third of the expense at which a British ship is sailed" (Report of Commons Committee on Foreign Trade, 1820, p. 27). Compare Porter (*Progress of the Nation*, ed. 1851, p. 588) as to the decrease of costs between 1805 and 1836.

1840) there came the American Civil War, which was followed, as we have seen, by a system of high tariffs. From that moment the American ocean-going shipping declined. In 1870 the figures were:—

U.S. ocean-going tonnage . . .	1,516,800
British ,, ,, . . .	5,690,789

and from that year to 1900 the American figures dwindled, standing then at 826,694. A slight revival began in 1901; but after reaching 954,513 in 1905 the figures fell to 939,486 in 1906.

Our tariff journalism, whether or not in ignorance of the facts, attempts to make a case for protectionism by presenting[1] the following tonnage figures:—

	1895. Tons.	1905. Tons.	Increase Per cent.
U.K.	8,988,000	10,735,000	19
U.S.A.	3,798,000	5,502,000	47
Germany . . .	1,502,000	2,469,000	64
France . . .	887,000	1,387,000	56
Japan . . .	386,000	1,273,000	230
Italy	776,000	1,026,000	34

The figures here given for the United States include those of the *coasting, lake, and river steamers and craft*, to which are given a monopoly of their work. These figures are thus no more to the purpose of the tariff debate than would be the figures of United States railway expansion; and they merely deceive the reader. The American tonnage includes all vessels of five tons and upwards; and of the total nearly one-fourth is sail. And concerning the coasting, lake, and river trades we have the testimony of a witness before the United States Commission on the Mercantile Marine: "These vessels mostly consist of cat-boats, sloops, small schooners, ferry-boats, dredging-machines, tow-boats, sidewheel steamers, etc. There are less than 939 American steam vessels of over 1000 tons on the lakes, the Pacific, the Gulf, and on the Atlantic."[2] It will be observed, too, that in comparing

[1] I quote from *The People*, April 19, 1908, article headed "Will Workman."

[2] Commission Report, p. 401, cited by Austin Taylor, M.P., in *Side Lights on Protection*, 1905, p. 11.

British with other European shipping the journalist takes no account of the proportions of sail and steam. This is quite fatal to his comparison between, for instance, French and British shipping. From 1895 to 1902, under the stimulus of an irrational system of bounties, French sailing tonnage actually increased from 407,000 to 669,000 tons, while British dropped from over 3,000,000 to under 2,000,000; and in the same period the French steam tonnage increased only from 499,000 to 549,000 tons, while the British increase was over 2,500,000.[1] All the while, the French figures include all "vessels of two tons and upwards," whereas the British exclude all vessels of fifteen tons and under employed in river or coasting trade at home or in British possessions, and vessels of thirty tons and under, not decked, employed in the North American fisheries.[2] The comparison here, then, if less grossly misleading than in the case of the United States, is still deceptive at this point, and is farcical at the others. The *efficient* increase of the British as compared with the French mercantile marine in the period in question was as fifteen to one, and the percentages of the tariff journalist are a mere delusion. The further working of the French bounty system since 1902[3] has been a tragic-comedy of errors. Even if it were not, bounty-built shipping is no measure of trade expansion. But as regards results, the record of the French bounty system is truly one of "blundering and futile extravagance," worthy of the political science of the Middle Ages.

As regards the case of Japan, the misrepresentation is hardly less gross. The Japanese mercantile navy was practically created between 1895 and 1900 by an act of national purchase, not of trading enterprise;[4] and the figures given represent gross tonnage, including, since 1899, "sailing vessels of half-Japanese and half-foreign type," which in point of efficiency bear no kind of comparison with British steam tonnage. The case of Italy is even worse. The Italian

[1] Newbiggin, *Shipping and Fiscal Policy*, p. 19.

[2] On the whole question, cp. Prof. Smart, *The Return to Protection*, 1904, Appendix.

[3] As to which see Mr. Newbiggin's pamphlet, pp. 19-20.

[4] Russell Rea, as cited, p. 14.

tonnage here given, like the French, includes "vessels of two tons and upwards"; and the total Italian tonnage, even at that, *has been sinking year by year since* 1903, as it did from 1870 (when it reached 1,012,164) to 1895, the low-water mark from which our tariffist reckons his precious percentage. Further, nearly one-half of the Italian tonnage is sail, of very inferior efficiency; and the steam tonnage is likewise far inferior on its average to the British, which as a whole is kept at the highest level of efficiency by annually selling off inferior or obsolete ships to other nations.

There remains the case of Germany, which, as all men know, *maintains free trade conditions for shipbuilding*, and, further, reckons in its tonnage all vessels of 17½ tons and upwards. Of that tonnage, nearly one-fifth is sail, as against the British proportion of less than a seventh. In the years from 1901 to 1906, the German steam tonnage had increased only by 567,600—that is, from 1,347,875 to 1,915,475,[1] whereas British steam tonnage in the same period had increased by 2,404,403, considerably more than the total steam tonnage of Germany! The rational reader can now form some notion of the value of percentage and period comparisons of which the effect is to make an actually decreasing mercantile marine figure as increasing more rapidly than that of a nation which in three years adds to its most efficient tonnage more than the gross tonnage of the other. It is hard to believe that the kind of pseudo-statistical assertion here exposed is a process of deliberate fraud; but, considered merely as a display of fallacy, it is an edifying illustration of the intellectual quality of protectionist thought.

It is quite unnecessary to demonstrate that the supremacy of British shipping is a result of the policy of free imports, for this is freely admitted by the protectionists of Germany and the United States. When Bismarck reverted to Protection, in 1879, he left free the imports of "scientific instruments of every kind, as also sea and river-going vessels with their machinery, furniture and utensils,"[2] and that freedom is

[1] Figures of the *Statistisches Jahrbuch für das Deutsche Reich*, 1907, p. 90.

[2] Dawson, *Protection in Germany*, p. 76.

maintained to this day as regards the materials of shipbuilding and furnishing, in the full knowledge that on no other basis can a protectionist country compete with a free trading one. As regards the United States, this was emphatically avowed by dozens of witnesses before the United States Commission on the Merchant Marine a few years ago.[1] Protectionists sometimes make a stand on the fact that the United States have latterly allowed free imports of shipbuilding material, on the German plan, and have still failed to compete with Britain in shipbuilding. It is an odd sort of comfort that can be drawn from such an avowal; but it may be well to supply the explanation which the protectionist cannot discern. The American coasting and river and lake trade being still a monopoly, the ships for that, the main part of the whole shipping of the States, are built under the non-economical conditions of Protection. It is practically impossible for a shipyard run upon expensive lines on one side to produce a cheap ship on the other; the builder will not bring down his supervision and profit costs, and cannot bring down his labour costs. In Germany this deadlock does not exist, all shipbuilding there being upon the same footing. And operating is affected in the same way. The States can neither build nor run ships in competition with Britain; so that the advocates of subsidies there "demand an operating bounty as well as a construction bounty."[2]

In this connection it is interesting to note that Norway, whose trade as a whole suffers severely under Protection, has free trade in ships, Norwegians being free to buy them whole. Yet shipbuilding is one of the few flourishing industries in Norway. So wholesome is the free condition for any industry that has a natural justification.

It will now be tolerably clear to any open-minded reader that the great shipping industry of Britain, which earns perhaps a hundred millions per annum, carrying over half of the sea-going trade of the whole world, is vitally dependent on free trade conditions. This, indeed, is admitted by Mr. Bonar Law, who promises, if put in power, to leave it alone. Spain,

[1] See the citations in Mr. Austin Taylor's pamphlet, pp. 14, 19.
[2] Taylor, as cited, p. 24.

once a great maritime power, sees her marine go on declining under a system of tariffs. France blunders along with futile bounties; the United States see nine-tenths of their foreign trade done in foreign ships. The plain lesson of it all is sought to be evaded on the protectionist side by devices such as we have examined above, and even by the thesis that the United States "lost their lead" merely through the fact of the transition from wooden to iron shipbuilding having occurred while they were convulsed by the Civil War. That this is a complete delusion is expressly insisted upon by the latest protectionist historian of the American mercantile marine. To use his words:—

> There is no popular error more prevalent than the idea that the Civil War destroyed the American merchant marine; but there is no delusion more inexcusable. The war did not destroy our merchant marine; it found it already shrinking, and hastened its disappearance.[1]

An examination of the economic history of the case will make the economic evolution clearer than it is made by the protectionist historian, since it will educe the explanation which he so resolutely suppresses.

Iron shipbuilding, to begin with, dates from 1820;[2] and the number of iron steamships for ocean traffic launched in Britain between 1830 and 1850 was, in the latter year, reckoned at 200. One of them, the *Great Britain*, 3500 tons burden, with engines of 1000 horse-power "to keep in action, as the means of propulsion, an Archimedean screw," was counted a triumph of construction.[3] In 1850 iron shipbuilding in Britain was "fast becoming an important branch of national industry."[4] If, then, the United States, in the long period from 1820 to 1860, had failed to rise to the new possibilities of iron shipbuilding, to what could the failure be set down if not to the effects of Protection on the American

[1] *The American Merchant Marine: Its History from 1620 to 1902.* By Winthrop L. Marvin. London, 1902. P. 321. Cp. p. 240: "It is a hasty and superficial judgment which dates the shrinkage of the American merchant marine from the Civil War of 1861-65."

[2] For canal and river boats it had been tried in 1810.

[3] Porter, *Progress of the Nation*, ed. 1851, pp. 575-6.

[4] *Id.* pp. 576-7.

iron industry, which in the colonial period had actually been able to compete with the British?[1]

That the American shipbuilders had not done their best in iron shipbuilding long before 1860 is incredible.[2] So early as 1824, Mr. Manby, an English engineer, "had established iron steamboats on almost every river in France, with machinery exported exclusively from England."[3] So early as 1841 American engineers had actually exported locomotives to England.[4] Want of enterprise in those days could less be charged upon American shipbuilders than upon any other; their originality and skill were acknowledged long before by English experts.[5] In 1843 an iron warship, the *Michigan*, was built by the U.S. Government for cruising on the northern lakes;[6] the first iron sea-going steamer of the Republic was built in 1844;[7] and the States had certainly some iron mail steamers in 1847.[8] If, then, American shipbuilders lagged behind British in the building of iron as compared with wooden ships, it was precisely because the Protection of the iron trade in the States made iron so much dearer. The best wooden ships in Britain about 1852 cost 97 dollars a ton to build; in the States they cost only 65 dollars a ton.[9] But as regards iron the state of things was

[1] Cp. Gee, *The Trade and Navigation of Britain Considered*, 6th ed. pp. 87-89; and see above, ch. v. p. 59.

[2] Porter (p. 577) spoke of the industry in 1850 as "one in which our mineral riches and our great mechanical skill will secure to us a virtual monopoly"; but American inventiveness was already famous, and American mineral resources are immensely greater than British.

[3] First Report of 1824-25 Committee on Exportation of Machinery, p. 8.

[4] Report of Machinery Committee of 1841, p. 73. The locomotives do not seem to have been a success.

[5] Charnock, *History of Marine Architecture*, 1801-1802, iii. 217.

[6] C. B. Stuart, *The Naval and Mail Steamers of the United States*, 1853, p. 26. This writer points out that Fulton designed the first steam warship. *Id.* p. 13.

[7] Marvin, *The American Merchant Marine*, 1902, p. 362. This writer does not seem to be aware of the progress previously made in England, "Hulls of ships," he writes, "were not built of iron in 1840" (p. 225).

[8] *Id.* p. 130.

[9] De Bow's *Encyclopædia of the Trade and Commerce of the United States*, 2nd ed. 1854, ii. 186. The compiler adds that interest in the States ruled at 6 per cent and in England at 4, which so far nullified the American advantage in materials. But obviously the American shipbuilder could undersell the British; and he notoriously did. Cp. Marvin, *The American Merchant Marine*, pp. 221, 224.

very different. Iron prices at New York in 1852 were enormously higher than at Liverpool, the excess being $8·26 per ton for Scotch pig; $14·50 for English bar; $43·60 for sheet iron; and $35·50 for hoop iron.[1] And this was recognisably due to Protection.[2] American manufacturers of iron "paid last year [1852 or 1853] three and a half million dollars tax on the raw material they used," being "very slow of discovering that in order to make their wares as cheap as the English they should have raw material on more favourable terms."[3] As it was, the American shipbuilders imported in 1840 iron "castings of vessels" to the weight of 444,388 lbs.; in 1846, 631,194 lbs.; and in 1850, 264,468 lbs.[4] They were thus alive to the new needs; and they claimed to be in 1848 actually ahead of Britain in total tonnage, putting the figures thus:—

British tonnage	3,397,921
U.S. tonnage	3,581,931
„ „ 1851	3,771,439[5]

Here we must guard against confusing the total tonnage of the U.S. with their ocean-going tonnage, which in 1860, we have seen, was reckoned in Britain at 2,546,237. This figure shows no trace of the absolute "shrinking" alleged by the protectionist historian to have taken place before the

[1] De Bow, i. 397.

[2] The protectionist Prof. R. E. Thompson (*Political Economy*, 3rd ed. p. 356) represents that in the years 1846-49 English iron, selling in New York at $40 a ton, was driving the home producer out of the market; that under the low Dallas tariff of 1846 "one-third of the furnaces and iron mills of Pennsylvania ceased operations soon after the tariff was enacted"; that "the rest were sorely crippled, and the amount of their production greatly diminished"; and that "in 1851-54, when home competition was virtually out of the way," the English producers charged an exorbitant price. But this is a testimony to the bad effects of previous Protection. Under the Dallas tariff iron was still protected by a 30 per cent duty (Percy Ashley, *Modern Tariff History*, 1904, p. 188). And the U.S. production of iron was estimated in 1850 at $60,000,000, while the imports amounted to only $16,000,000 (*Id.* p. 189).

[3] De Bow, i. 396, 397, citing the *United States Economist*.

[4] *Id.* i. 396.

[5] *Id.* ii. 186. Elsewhere (p. 194) the same compilation gives for 1848 the figures:—Great Britain, 3,007,581; United States, 2,416,999. The *Belfast Mercantile Journal* about 1853 put the tonnages thus:—Great Britain, 4,144,115; United States, 3,535,451.

war; but it can well be admitted that the visible failure to compete with Britain in the building of iron ships, at the iron prices which we have seen ruling in the early 'fifties under American Protection, constituted a beginning of decline. It was not in tonnage but in ship*building* that the shrinkage was thus far perceptible,[1] the former British practice of buying wooden ships from the States having been nearly abandoned by reason of the greater cheapness and relative efficiency of British-built iron ships.

The effort to evade the true conclusion is characteristic of tariffist propaganda. In an unguarded moment, the protectionist American historian avows that "the change from sails to steam was less important and less harmful to our established maritime interests than the change from wood to iron."[2] This decisive admission can have only one meaning. Again, the same writer avows that "the Civil War in this country and the growth of iron steamship-building abroad are the chief causes which wiped off the register almost one-half of the American ocean fleet"[3]—following this up, as we have seen, by insisting that the fleet was "already shrinking" before the war. Again, he avows that after the war "everywhere American wooden sailing-ships were being supplanted by foreign iron steamers."[4] Yet he has also committed himself to the proposition that "the whole question of the survival of our steam-fleet in the deep-sea trade between 1846 and 1860 was a question of national protection or the lack of it."[5]—meaning that the States did not give Protection enough, while Britain did. His argument on this head—utterly irreconcilable with his admission as to the disadvantage on the American side in the matter of iron-shipbuilding—is that Britain fostered the Cunard and other mail lines by a handsome subsidy, which the States would not pay.[6] That theory will not bear the slightest investigation. The subsidy to the Cunard and other packet lines could aid only those lines. It was meant to secure special services to the

[1] Marvin, as cited, p. 283.
[2] *Id.* p. 237.
[3] *Id.* p. 319.
[4] *Id.* p. 351.
[5] *Id.* p. 282.
[6] Mr. Marvin attributes the refusal mainly to the hostility of Southern politicians before the war to the claims of the North. Cp. pp. 230, 240.

State, and did so; but meanwhile the whole British merchant fleet, without a penny of subsidy, and partly in competition with the subsidised lines, went on expanding, while the American merchant fleet after 1860 went on shrinking. And the historian himself obliviously admits later[1] that

> this foreign preoccupation of ocean-carrying was not the whole secret of the paralysis that rested on American shipbuilding. There were other important factors. The high tariff and internal revenue taxation, especially the latter, required by the war, bore heavily upon the shipyards. American builders did not use foreign materials to any great extent and did not care to; but the internal revenue burden upon domestic iron, steel, copper, and lead, and also upon spars, sails, paints, and cordage, was a severe handicap. Moreover, there was a special internal revenue tax of two per cent on the hulls of vessels, and of three (later of five) per cent on marine engines, which was not repealed until 1868.

Here we are within sight of the truth. The American fiscal disadvantage in the building of iron ships, felt before the war, was enormously aggravated by the war tariffs; and hence it is that the war is usually taken as the date from which the decline began, as it was in point of fact the date from which began the decline of tonnage. And from that date, too, there operated a new factor, inasmuch as the check upon American importation of foreign products placed American ships under a new disadvantage in the matter of return freights. They went out with large freights of grain and raw material, and were relatively at a loss for return freights, where British ships often went out with freights of manufactured goods for foreign ports, whence they carried to the States cargoes of such products as the States imported most freely, returning to Britain with American cargoes.

After his decisive admission as to the effect of tariffs, the historian helplessly reverts to the suggestion that the American shipbuilders made a mistake in not rising to the emergency. Referring to the handsome wooden steamships built in 1867 and 1869, he comments that "undoubtedly these Boston merchants erred, as did the Pacific Mail Com-

[1] P. 342.

pany at the same time, in constructing such great vessels of wood instead of iron."[1] The proposition is idle. No one has insisted—not to say boasted—more than he concerning the unfailing inventiveness of American shipbuilders, who really did wonders in improving sailing rig.[2] The plain fact is that they would have built iron ships freely from the first if they could have afforded to do so in competition with the builders of Britain. For years past they *have* been building steel ships of the most advanced type for their monopoly trade on the coast and the lakes and rivers. "The coastwise steamships of iron and steel have always been first-class vessels." "The typical lake freighter of to-day is a steel steamship. The number of these steamers is astonishing. There is actually a larger American steel steam tonnage on the lakes than on the ocean."[3] Quite so. From 1876 onwards "nearly all" of the deep-sea steamships built in the States "were of iron; wood had been almost abandoned for ocean-going steam hulls in American shipyards. Steel was gradually coming into use."[4] And still the shrinkage went on; and even "now that the mechanical genius of America has turned resolutely to the building of modern steel ships,"[5] there is no recovery.

One other plea remains to be examined in this connection. Mr. Marvin seriously affirms that what he calls "Lloyd's British insurance monopoly" deliberately drove a section of American shipping from the seas when it was beating the British. First he alleges[6] that in 1849 Lloyd's "virtually nullified the Act of Parliament" by "condemning the locust treenails of our high-class vessels, thus forcing every British merchant who bought an American ship to refasten her before she could secure proper insurance." It seems hardly necessary to point out that this step could at worst only compel the American builder to build to specification for British buyers. When, further, the patriotic historian asserts, on the sole authority of Captain W. W. Bates, (1) that the American wooden ships of 1882-86, built for the Californian grain trade to Europe round Cape Horn, did the voyage on

[1] P. 349. [2] Work cited, pp. 345, 363-5, 370-73, 384, etc.
[3] *Id.* pp. 390, 406. [4] *Id.* p. 389. [5] *Id.* p. 373. [6] *Id.* p. 259.

an average in five days' less time than that of the British iron vessels, "met with far fewer disasters," and "landed their grain in better order"; and (2) that, nevertheless, "the powerful British protective Agency of Lloyd's" contrived to drive them out of the traffic[1] by a discriminating rate of insurance, he merely shows how patriotism and partisanism can make historiography ridiculous. If Lloyd's could do this in 1882-86 as regards one line of American shipping, it could have done it before and since on every other line. If Lloyd's be an insurance monopoly, it could strike at the American coasting trade as well as at the ocean-going. And if Americans could independently insure their home shipping they could insure the rest. The argument is an absurdity.

Finally, we have from the protectionist historian an implicit avowal that his arguments concerning subsidies and Lloyd's monopoly are beside the case. Concerning the expired subventions to the Pacific Mail and Brazil lines, he writes that both were "examples of unwise special legislation," adding:—

> "Just as our tariff policy is justifiable only as it covers many industries, so a policy of marine protectionism must be applied not to two favoured lines or three, *but to the whole body of our fleet*, to make it sound, enduring, and effective."[2]

So that the old British subsidy to one or two favoured lines could not have been "effective" as a protectionist measure; and the American shipbuilding industry confessedly cannot compete, for ocean-going ships, with the British, when the main raw materials are iron and steel,[3] both of which are protected in the States, though the States could and did very successfully compete when the main raw material was wood, in the production of which they had no protection. This is finally demonstrated by bracketing the above-cited demand for universal subsidy or monopoly with Mr. Marvin's own argument that neither the "unimportant" Act of 1884, freeing

[1] P. 386. [2] P. 391.

[3] As Mr. Marvin admits, this was urged in America long ago by the advocates of the "free ship" policy, whose argument he pronounces "not altogether honest" (p. 345). It will compare favourably with his own.

from import duty supplies for American merchant vessels, nor the "important" provision in the McKinley tariff law of 1890, allowing free importation of plates, etc., for iron and steel vessels for the foreign trade, availed to alter the situation. "Thus, since 1890," writes Mr. Marvin, "American shipbuilding for deep-sea commerce has had the advantage of all the virtue which there may be in 'free materials.' Neither of these measures has had any appreciable effect in checking the decline of American deep-sea tonnage."[1] Naturally, the "advantage" was stultified from the first by the monopoly conditions under which the bulk of American shipping is built and operated. The coasting trade was still to be closed to the ocean-going ships built under the new conditions. A shipyard building under the monopoly conditions, further, cannot run a cheap section with duty-free materials. Only where all its shipbuilding is on free-trade lines, as in Germany, can a protectionist country hope to avail itself of the advantages of those conditions.

Thus the more the protectionist case is argued the more clear is the conclusion that free imports have been the determining condition of the vast progress of British shipping during the past sixty years, and Protection the true determinant of the American shrinkage.

§ 7. *Expansion in Export Trade*

Needless to say, the nation which makes most progress in shipping cannot expect to make a proportional advance in all other forms of industry. Much of the modern protectionist case, however, consists in treating British exports as the main measure of productive activity, and in excluding shipping from the estimate altogether. It is to correct this sophism that the formula "invisible exports" has been framed. It may, however, be useful to point out further (1) that all production is at bottom a rendering of service, and that shipping work is easily recognisable under that category; and (2) that, again, all production is to be conceived as a process of applying motion to matter; under which category

[1] Work cited, p. 382.

also the act of carrying is economically recognisable. To increase our shipping, then, is a process of industrial expansion like another, involving many other expansions, as in shipbuilding, machine-making, etc. There is thus, to begin with, a distortion of the problem in the preliminary protectionist attempt to estimate the whole growth of British industry in terms of the figures—and especially of the *value* figures—of exported goods alone. As has been repeatedly shown, the "stagnation" in exports alleged by Mr. Chamberlain is wholly imaginary, being made out by such devices as (1) starting from the year 1872, when prices were enormously inflated; (2) starting from the period 1870-75, which included that and two other years of inflation; (3) excluding from the sum of exports the capital items of coal, machinery, and ships; and (4) ignoring the increasing work done by our shipping. At the *prices* of 1872, the much larger *amount* of exports in 1902 (excluding ships) would have figured at £418,000,000 (instead of the actual £277,000,000), as against the £256,000,000 of 1872; while the imports of 1902, at the prices of 1873, would have been valued at £792,000,000 (instead of the actual sum of £528,000,000), as against the £371,000,000 of 1873. Falling off there has indeed been in certain items, and with this we shall have to deal later; but the protectionist argument appeals to the total figures, and by these it is rebutted, as we have seen.

Yet the proposition in question runs through the whole protectionist case. In the fifth chapter of his *Tariff Problem* Professor Ashley starts from the misleading figures of 1872; and throughout the chapter he never once explains that 1871-75 were all, broadly speaking, years of inflation. He oddly argues[1] that "any objection to the selection of 1872 as the year of departure will be dispelled" when it is seen that "there was a rapid upward sweep from 1869 to 1872, and another from the depression of the Cotton Famine up to 1868." Clearly, a special upward movement was begun in 1870 by the effects of the Franco-German war. What then? Professor Ashley's tables show that the value-figures of 1870 (199 millions) were not re-attained after 1876 till 1880.

[1] Work cited, p. 61.

Admitting that "*Values* alone are of course evidently misleading," he can argue only that "quantities also have moved slowly since *1888*." But quantities of cotton goods moved very slowly from *1872* to 1879, and values fell by twelve millions; and the 1858 quantity of cotton yarn and twist (200,000,000 lbs.) was not re-attained *till* 1872—a period as long as that taken by Professor Ashley. In 1880 the export of cotton yarns and twist exceeded that of 1858 by only 15 million lbs. The case for Protection on the basis of export trade was thus as good in 1880 as to-day; and, indeed, Mr. Chamberlain and Sir Vincent Caillard have argued from the first that the notable expansion of British trade ended in 1872. As regards quantities of piece goods, of course, Professor Ashley recognises the immense expansion from 1872 to 1902—no less than 50 per cent. But he proceeds to offer as an offset the decline in quantities of exports of cotton yarn and twist, which had fallen off equally with values. Now, save in so far as the yarns latterly exported may be of a finer quality, this decline is exactly what the protectionist theory professes to desire—a withdrawal of our producers from inferior to superior forms of production. In the days of Protection our manufacturers expressly complained that foreign demand for their yarns was on the increase, and for their piece goods on the decline.

In the matter of woollen exports, Professor Ashley recognises that, though values have fallen since 1872, "the price of the raw material has greatly fallen also. But," he adds, "the figures of quantity also indicate a declining export trade, though, of course, in lesser proportions."[1] Now, whatever force there may have been in this assertion as at 1902, has been cancelled since by the large expansion which has taken place both in quantities and values. The figures of export of woollen (including alpaca, mohair, and other) yarn in the years 1902-7, in millions of lbs., are—70·5, 78·8, 73·8, 70·7, 79·2, 82·7; while the values, in millions sterling, were—5·1, 5·9, 5·9, 6·1, 7·6, 8·5. Of woollen tissues, again, the exports have risen, in millions of yards, from 1902 to 1907, as follows:—47·1, 50·7, 67·1, 72·2, 79·9, 84·8; while the

[1] Work cited, pp. 65-66.

values are respectively, in millions sterling, 5·5, 5·8, 7·4, 9·1, 9·7, 10·3. Finally, the total values of exported woollen and worsted yarns and manufactures, despite a shrinkage in quantities of mixed worsted stuffs, for the years 1903-7 run as follows, in millions sterling :—21·8, 23·9, 25·7, 28·2, 30·7.[1]

In the linen trade, again, after all the lamentations that were heard in regard to that industry a few years ago, we find a more marked expansion going on in Britain than has been recorded in the case of almost any foreign country. The imports are merely stationary, the figures for the years 1903-7 being, in millions sterling—1·8, 1·5, 1·5, 1·8, 1·6; while the exports for the same years run—6·3, 6·6, 7·2, 8, 8·5. In the French table of exports *lingerie* is included in "Apparel," and in that item we have the following progression, in millions of francs :—1899, 142 millions; 1901, 127 millions; 1903, 102 millions; 1905, 145 millions. Here we seem to have a really "stagnant" export trade. In the British abstract of German exports linen does not appear, so small is the trade; while in those of Austria-Hungary we have the progression, in millions of kronen—1900, 17·9; 1901, 15·2; 1903, 20·1; 1904, 19; 1905, 19·3. Belgium, with her low tariff, has progressed more steadily from 1901 to 1905, rising from 14·1 to 17·4 millions of francs. Thus Britain heads the list.

For the years 1903-7 the British export of cotton goods has increased still more markedly, though here the energetic rivalry of Germany and the United States comes into play. Taking quantities of piece goods, we have the following progression, in millions of yards :—5157, 5591, 6196, 6260, 6298; while the values run, in millions sterling—55·2, 64·0, 70·8, 75·3, 81·0. Even the output of grey yarn and twist has increased as follows, in millions of lbs. :—116, 134, 164, 168, 209; and in millions sterling—5·6, 7·3, 8·2, 9·7, 13·2. The total values finally run thus, in millions sterling :—73·6, 83·8, 92, 99·5, 110·4.

Hardware, again, has risen in quantity in the years

[1] I find discrepancies between the figures of the Statistical Abstract and those of the Annual Statement of Trade here followed; but the progressions correspond.

1902-7 from 311,000 to 966,743 cwts., and in values from 1·5 to 2·5 millions sterling; chemicals from 12·7 to 17 millions; leather and its manufactures from 4·4 to 6·6 millions; iron and steel manufactures from 28·8 to 46·6 millions; and the total export of machinery in the same period from 18·7 to 31·7 millions. Finally, "miscellaneous" exports have risen thus, in millions sterling—21·1, 21·7, 22·6, 25·1, 29·6, 33·3. Thus from the very moment of the first undertaking to prove, by selected figures and selected industries, that our export trade was becoming "stagnant," the whole process of trade has confounded the attempt. And whereas it has been alleged latterly that the increases in 1907 were mainly in values and not in quantities, it will be found on examination that not only in textiles and the other great staples, but in nearly every other item, there has been a clear increase in quantities. We have seen, in short, under free trade the greatest of all recorded expansions in exports. When, in the face of such an experience, the protectionist movement goes on exactly as it might have done had there been no expansion whatever, we can readily estimate the conscientiousness of its inspiration.

But it is important that free-traders should not stake their case even on the figures which so signally confute their opponents. In the later years, imports have expanded less than exports; and this circumstance, which is specially confounding to the protectionist, with his mercantilist doctrine of exports, is not to the free-trader a matter for satisfaction, save in so far as it shows that we are not being beaten in our own markets. It suggests, either that we have been latterly exporting goods to pay interest on foreign capital invested here, or that in the form of exports we have been making new loans, which may or may not be profitable. The full proof of our prosperity will be reached, not by maintaining the increase of exports, but in a revival of the upward movement in imports, which so much better indicate the national dividend.

If the reader has any difficulty in following the deductive argument to that effect, he has but to note the unquestioned fact that while our exports increase at a given rate, the mass

of incomes which pay tax, and the total wages of the workers, increase at a considerably greater rate; and the volume of banking transactions at a greater rate still. In 1871 the total business done in the Clearing-House was £4,826,000,000; in 1902 it was £10,029,000,000; in 1906, £12,711,000,000. The total incomes within the survey of the Inland Revenue have at the same time increased from £445,000,000 in 1871 to £867,000,000 in 1901, and to £925,000,000 in 1906.[1] In no way can this increase be accounted for save by recognition of a proportionally increased volume of home trade; and as our primary resources do not noticeably increase save by the increased output of coal and iron, the increase in the total agricultural yield being relatively small, it is impossible to explain the increase in home trade save through the increase in imports and the consequent multiplication of manufactures.

[1] See Appendix as to the garbling of this fact in tariffist propaganda.

CHAPTER XI

FREE TRADE IN NEW SOUTH WALES

A VERY fair test of the relative efficacy of free and protective conditions for industry is supplied by the contrasted cases of New South Wales and Victoria. Since 1866, Victoria has been protectionist, and New South Wales, down to the Act of Australian Federation, which imposed on her a protective tariff, practically free-trading. A revenue tax, in 1891 of 8½ per cent, in 1898 of 5 per cent, was levied on the total value of imports in New South Wales. In Victoria there was all along a heavy tariff on the most important imports, excepting wool for re-export. Under these conditions both colonies were broadly prosperous; there was no question of "ruin" on either side. A detailed and scientific analysis of the natural conditions and opportunities in the two regions is of course difficult to make, and is not really necessary for the purposes of the fiscal argument. It suffices to inquire what has been the relative progress of the two colonies, under their different fiscal systems: and the following figures tell the story:—

		Victoria.	New South Wales.
Population in	1866	636,982	431,412
,,	1901	1,200,914	1,359,943
Revenue in	1866	£3,079,160	£2,012,079
,,	1901	£7,460,855	£10,794,233
Imports in	1866	£14,771,000	£9,403,000
,,	1900	£18,301,811	£27,561,071
Exports in	1866	£12,889,000	£9,913,000
,,	1900	£17,422,552	£28,164,516

As the trade figures here given include the inter-colonial trade, it may be well to add those of the net foreign trade in 1900.

	Victoria.	New South Wales.
Imports . .	£11,937,644	£17,396,991
Exports . .	£12,165,364	£18,185,302

Here we find exactly the kind of results that the theoretic free-trader would anticipate. The protectionist colony is not "ruined," but its total trade increases only by about a third in thirty-five years; its population is barely doubled; and its revenue little more than doubled; while the free-trading colony increases nearly threefold both its exports and its imports, and more than trebles its population. Further, the free-trading colony, which in 1866 had practically no industry, as against the 869 manufactories then established in Victoria, latterly does its much larger trade with 3077 factories and 60,779 workers, as against the 3097 and 64,207 workers of Victoria, the reason being that it has adopted much better machinery and resorted much less to female and juvenile labour, its workers' wages being in consequence higher, and the capital invested in manufactures greater. And, whatever be the explanation, the imports of Victoria fell from £24,402,760 in 1889 to £18,301,811 in 1901; while its exports in 1889 were rather lower than in 1866. Even of those exports, much consisted of wool raised in New South Wales. Gold-mining in Victoria has played a large part in the total exports; but for many years the much more valuable yield of wool has in New South Wales greatly exceeded that of Victoria.

GOLD AND WOOL.—TOTAL PRODUCTION, 1866-85.

	Victoria.	New South Wales.
Gold raised . .	£85,819,216	£15,763,365
Wool produced .	£67,891,880	£110,536,782

According to Whittaker's Almanack, Victoria "owes its very rapid progress" to its gold-production; and that is undoubtedly a condition of rapid expansion in most if not in all cases; yet the expansion of New South Wales, with less

than a fifth of the Victorian gold output, has been much greater. To what, then, can that expansion be ascribed save to free trade?

The point has of course been keenly contested between free-traders and protectionists in Australia. The growth of population has been ascribed to State-aided immigration; but this is found to account for only 59,000 out of a total increase of 690,000.[1] On the other hand, it is found that in 1881 of the population of the free trade colony 28·22 per cent were of the most efficient age—between 25 and 45—as against 22 per cent in Victoria; and that in the period between 1871 and 1881 the New South Wales population of that age increased by 32,716, while that of Victoria fell off by 35,916.[2] Further, the difference is largely if not wholly accounted for by the migration of Victorians to New South Wales. Thus Protection has meant a depression of the labour market in the protected colony as compared with the other. In Victoria, further, it is the protected trades that have fared worst in the matter of wages. During the years 1878-88, wages remained unchanged in 58 out of 121 Victorian industries, while in the remaining 63 they varied as follows:—

	Increase.	Decrease.
Protected trades . . .	13	26
Unprotected trades . . .	16	9

By the favourite protectionist test of manufactured exports, finally, Victorian Protection stands condemned. In the years from 1883 to 1889, the export of articles manufactured in Victoria fell from £1,790,300 to £819,685. Under Federation, as it happens, New South Wales easily maintains her lead, her total exports, excluding inter-State trade, having risen to £27,640,710 for 1906, as against £16,838,563 for Victoria.

It should be added that the expansion of New South Wales cannot be attributed, as protectionists have contended, to a greater use of borrowed capital by the State. It was only after 1880—when Victoria was ahead by six millions—

[1] B. R. Wise, *Industrial Freedom*, 1891, p. 351.
[2] *Id.* p. 353; Hayter, Pulsford and Hirsch as there cited.

that New South Wales began to increase her debt beyond the amount of that of Victoria; and the expansion had already been marked. If, further, State-borrowing could economically be made a means of expansion, Victoria was equally free to borrow.

PART IV

THE MODERN FAILURE OF PROTECTIONISM

CHAPTER XII

THE GENERAL FAILURE

How utterly Protection failed to promote prosperity in Great Britain in the past has been shown in our historic retrospect. Has it succeeded any better elsewhere? It is noteworthy that the claims made for Protection are for the most part supported solely, or mainly, by the instances of *two* protectionist countries—the United States and Germany. Mr. Chamberlain added Sweden; but he was at once so flatly gainsaid by Swedes that his claim has not been pushed by his coadjutors. Closed factories, low wages, and heavy emigration told the tale of Swedish Protection, which has broadly failed to further the export of manufactures. Germany and the United States, accordingly, are the favourite examples. This limitation of the claim is in effect a confession of its theoretic falsity. If Protection as such be the source of prosperity, in the form of increased exports of manufactured goods, why are not Russia, France, Spain, Italy, and Austria equally to be cited in proof?

Mr. Chamberlain, it is true, alleges that "these 99 out of the 100—those other countries, our German competitors, our French competitors, our Italian competitors, our Russian

competitors, our Swedish competitors—are all doing very well."[1] But better-informed people are aware that Italy, Russia, Sweden, and France are not seriously "our competitors" in the markets of the world, save inasmuch as Sweden exports ore and pig iron, which we are very glad to buy, also some machinery; and France, some machinery, iron manufactures, woollen textiles and cottons. Russia, always exporting much more than she imports, and heavily tariffed, yet sends out very little manufactures; Italy little more. "Name to me," cries Mr. Chamberlain, "one single protectionist country which at the same time that it has built up its own markets has not been able to increase its foreign exports?"[2] I name him ten—France, Italy, Greece, Russia, Austria, Norway, Sweden, Switzerland, Portugal, and Spain—which have either not steadily increased their exports of manufactures at all or have increased them much more slowly than Britain has done. As we shall see more fully later, a restraint of imports tends to increase exports of a certain kind to a certain extent; but it will not secure the sentimental gain of triumph in the way of manufacturing competition. The increased exports are loss, which is mostly paid in raw material.

If any country could gain in trade by Protection, France might be expected to do so, with her high level of intelligence and taste. As a matter of fact, she has increased her total exports of home produce from 1896 to 1905 by only £58,500,000 (from 136 millions to 194½) as against nearly £90,000,000 of increase for Britain. Of the French increase, nearly £5,000,000 may be set down to advance in cotton exports; £2,000,000 to apparel, including *lingerie*; £1,000,000 to machinery; and £2,500,000 to iron and steel manufactures; but the export of leather wares has fallen from 82 to 64 million francs; wool manufactures, from 323 million francs (£13,000,000) in 1895 to 193 millions (£7,750,000) in 1905; cloths and cashmeres have fallen from £6,000,000 to £2,700,000; dress stuffs of pure and mixed wool, from £6,000,000 in 1895, and £4,500,000 in 1896, to £4,000,000 in 1905; while silk manufactures were in 1905 almost

[1] Speeches as cited, p. 160. [2] *Id.* p. 147.

exactly at the figure (£10,800,000) at which they stood in 1895. Exports of boots, shoes, and gloves have all fallen. The chief increases have been in chemical products, fruit, hides, raw and thrown silk, raw sugar, and raw wool. Whatever may be said on the subject by British protectionists, and whatever may be the state of the home trade in France, no Frenchman speaks with complacency of the French export trade in manufactures after a generation of renewed Protection. And as regards agriculture, so heavily protected in France, it is clear that there, as in Italy, and probably in Germany, only a small minority of landowners benefit by a tariff which lays an annual burden of 400 million francs on the mass of consumers, since the vast majority of peasant proprietors either grow only wheat enough for their own consumption or do not grow wheat at all.

Greece we need not discuss. Beyond ores, raw material, fruit, and food-stuffs, she exports only some small amounts of soap, cement, and gunpowder; and from 1895 to 1905 her whole exports have increased only by £460,000. Italy is a more interesting case. From 1896 to 1905 her total exports have increased by £29,000,000, the chief rises being made in 1899 and 1905. Like Spain, she has fallen off in export of wine; but she has increased in butter and cheese, raw cotton, eggs, almonds, marble, poultry, rice, zinc ore, and raw and thrown silk, the latter items alone accounting for nearly half the entire expansion of exports. Thus she remains substantially a producer of food and raw or partly manufactured material. From 1895 to 1899 her exported silk manufactures increased by over £1,200,000; from 1899 to 1905, by only £800,000. Tariff wars played a main part in keeping this progress so small. Cotton manufactures, constantly and greatly fluctuating by reason of tariff wars and short supply, have increased from 1896 to 1905 by £2,300,000; and no other manufacture is worth reckoning. Thus the Protection of Italian manufactures has been a palpable failure. In the period from 1896 to 1905 the population, despite immense emigration, has increased from 31,706,000 to 33,441,000—a number sufficient to make

possible a far greater increase in manufactured exports if Protection were favourable to such increase. The one industry which has greatly progressed in Italy is that which gets and calls for no Protection—that of silk raising and throwing. For 1906, the estimated production of raw silk was between 5·3 and 5·5 million kilogrammes; and the estimated amount from imported cocoons about 800,000 kilogrammes; of which total of from 6·1 to 6·3 million kilogrammes only from 1 to 1·2 millions were absorbed by the protected silk *manufacture* of Italy, the rest being exported as raw or thrown silk.[1] Of these items the total export value has risen from over £10,000,000 in 1893 to over £15,000,000 in 1905.[2] And what progress has been made in the manufacture is evidently not due to Protection, since the amount imported grows rather than falls, being on an average 20 million lire in the years 1891-95, and nearly 25 million lire in 1901-5; while the average of exports has risen in the same period from 21 to 74 millions[3]—*i.e.* from over £800,000 to nearly £3,000,000. In comparison with this, and still more with the production of raw and thrown silk, the increase in the export of waste silk, the making of which is elaborately protected, is unimportant.

Austria-Hungary, always protectionist, exported considerably less of manufactured woollen goods, by value, in 1891 than in 1883. Her total imports, 613·5 million florins in 1880, did not return to that figure till 1891, in which period her total exports increased only from 676 to 787·6 million florins = from 56·3 to 65·6 millions sterling. From 1896 to 1905 her total exports increased by £29,000,000, some of the chief increases being in animals, eggs, raw hides, hops, bounty-fed sugar, and unmanufactured wood. Of increases in manufactured exports in those ten years, the chief were :—Woollen manufactures, 26 million kronen, a little over £1,000,000; half-manufactured wood, 57 million kronen = £2,375,000; cotton manufactures, nearly 23 million kronen = £950,000; iron and steel wares, nearly 20 million kronen = £827,000.

[1] Edoardo Giretti, art. "Une Industrie mal protégée" in the *Journal des Economistes*, Feb. 1907. [2] *Id.* [3] *Id.*

Jewellery and fancy wares increased by £750,000; ready-made clothing, by £600,000; paper, by £500,000; glasswares, by £450,000; linen manufactures, much less; silk manufactures, hardly at all. Leather manufactures, on the other hand, fell off by over £1,000,000. That is a fair conspectus of the progress of Austria-Hungary in manufactured and other exports in a period in which the total exports of Britain increased by nearly £90,000,000, and her manufactured exports by £63,000,000. The increase in British exports of cotton yarns and manufactures alone, in the ten years in question, was nearly £23,000,000, nearly double the whole increase in Austrian manufactured exports of every kind. In 1905, finally, the latter were only 44·6 per cent of the whole exports, whereas in 1895 they were 45·5. And in every intervening year they were below 44 per cent—in 1899 as low as 41. If such figures could be cited for Britain under free trade, what would Mr. Chamberlain have said?

No country in Europe has in modern times made a more strenuous effort to wall itself in with protective tariffs than has been made by Russia. As usual, the object—after revenue—is to "develop manufactures"; and the average *ad valorem* import duty in Russia is 131 per cent. Yet Russia, with her immense population, and with all her tariffs, has increased her total exports only from an average of 675 million paper roubles in 1886-90 (falling to 628 millions in 1891-95) to a total of 732 millions in 1898, 716 millions in 1900, and 1077 millions in 1905. The increase is almost wholly in foods and raw materials. The exports of manufactured goods to Europe in 1887-89 stood at nearly 18 millions of roubles; in 1896, only at 12 millions, even with the Caucasian trade on the Black Sea frontier and that of Finland added; in 1898, only at 21 millions, with all these thrown in; in 1899, at 17 millions; in 1901, at 22 millions; in 1905, at 24 millions. On the Asiatic frontier the progress is no greater. The main increase of Russian exports is in corn, butter, wool, poultry, wood, naphtha, and eggs. Of the total increase of 388 million roubles (say £40,000,000) in Russian export values from 1896 to 1905, 246 millions (say

£25,000,000) is for grain and flour alone! And we are asked to think of Russia as making great progress in manufactured exports.

Switzerland indeed has done better. In 1887 she had a total export of 660 millions of francs; in 1897, a total of 682 millions—a total increase in ten years of only 22 millions of francs = £880,000. Latterly the amount has been much greater—818 millions in 1900 and 1901 and 1007 millions in 1905 (= £40,313,000). But as to special manufactures, her output of cottons fell off in value from 1891 to 1898 by 18½ millions; and in 1901 had advanced on 1891 by only 5 millions (£200,000). From 1901 to 1905 the increase in exports of cotton piece goods was £400,000; and though those of cotton ribbons and embroidery rose in 1905 by £600,000, they had fallen in 1904 by nearly £400,000. Silk manufactures increased from 1901 to 1905 by only £320,000, with a fall in 1903-4. Woollen manufactures fell off from 1891 to 1898 by 1 million francs; and in 1901 had recovered by only half a million (£20,000); and from 1901 to 1905 they increased by only £148,000. Chemicals fell off from 1891 to 1898 by 7½ millions, of which only 4 millions had been recovered in 1901, the balance being regained only in 1905. *Quantities*, of course, may tell a different tale from *values*; but I cite the only figures at hand; and it is by values that our protectionists always count. And while Switzerland's exports of machinery from 1891 to 1898 increased considerably, the *imports* of machinery increased in exactly the same proportion. From 1901 to 1905 machinery exports increased only by £400,000, while the imports increased by nearly £500,000. Even the staple Swiss export—clocks and watches—rose only from 100½ million francs in 1891 to 103¾ millions in 1897, 109 millions in 1898, 122 millions in 1900, and 130 millions in 1901—an increase of £1,200,000 in eleven years. From 1901 it had fallen by £250,000 in 1905, with a heavier fall in 1902-3. The whole progress is incomparably less than that of free-trading Holland; less even than that of Belgium, whose tariffs are much less.

Swedish exports of cotton manufactures in 1905 were

only 590,000 kroner[1] against 3¾ millions in 1896. Exports of metal goods and machinery stood at 10½ millions in 1890, at nearly 20 millions in 1897, and at 25 millions in 1900; but the *imports* of these articles stood at 35 millions in 1890, at 74 millions in 1899, and at 65 millions in 1900. Taking machinery separately we find that the exports from 1900 to 1905 increased from 11·5 to 15·4 million kroner, while the imports, with fluctuations between, stand in both years at 23 millions. Here it is that, with her mineral resources, Sweden might be supposed to compete most seriously with Britain; yet while British exports to Sweden rose from £2,768,369 in 1889 to £4,456,959 in 1901 and £5,584,996 in 1906, Swedish exports to Britain (mostly timber and iron) fell from £9,207,047 in 1889 to £8,330,000 in 1894,[2] and reached only £10,731,582 in 1906. The Swedish expansion has been mainly on the side of minerals, timber, and wood products, the chief increases being in wood-pulp, paper, and iron and steel; the attempt to develop manufactures by Protection has utterly failed.

In the case of Norway there is still less to tell. Of a total increase of exports amounting to 51 million kroner (£2,842,000) from 1896 to 1905, the bulk is accounted for by wood-pulp, salted fish, and sulphur; while cotton manufactures have fallen from 2 million kroner in 1896 to 445,000 in 1905; and wool manufactures, from 3 million kroner in 1895 to 80,000 in 1905. Whatever may be the state of the home trade, exports of textile manufactures are nil; and the only rising industries are wood-paper making and shipbuilding, of which the latter is unprotected and the former insusceptible of protection.

Denmark, unlike Norway and Sweden, is a free trade country as regards the main food imports,[3] though it is itself mainly food-producing. Contrasting its export trade with

[1] 18 kroner = £1.

[2] After a fall on both sides from 1900. Our exports to Sweden in 1900 were more than double the amounts of 1887; while Swedish exports to Britain had increased only about 20 per cent.

[3] Wheat, flour, and butter are admitted free, as in Holland. The only other countries, besides Britain, with free imports of wheat and flour are Belgium, China, and Persia. Portugal *prohibits* both, save in times of distress.

that of Sweden and Norway, we find that the respective increases, from 1896 to 1905, are :—

Denmark	£13,871,000
Sweden	£6,107,000
Norway	£3,900,000

while the populations are: Denmark, 2,600,000; Sweden, 5,316,000; Norway, 2,311,000. As regards manufactures, Denmark has not the natural advantages of Sweden and Norway, and claims to be chiefly pastoral; yet her exports of iron and steel manufactures rose from 1½ million kroner in 1896 to 5 millions in 1905—a much greater *percentage* increase than was reached in Norway and Sweden. It seems unnecessary to point the moral.

Spain and Portugal have the worst tale to tell. Here are the figures of the total Spanish exports in the years 1895-1905, including bullion :—

	Million Pesetas.[1]		Million Pesetas.
1895 . . .	804	1901 . . .	790
1896 . . .	1023	1902 . . .	850
1897 . . .	1074	1903 . . .	945
1898 . . .	918	1904 . . .	956
1899 . . .	864	1905 . . .	993
1900 . . .	836		

The figures of 1896-97 have never been recovered; and the year 1895, again, was below 1887. Much of this is due to the greatly lessened export of wine; but even in the staple articles of stone and minerals there has been no great total rise from 1899 to 1905. The exports of boots and shoes fell from 25 millions in 1895 and 23 millions in 1897 to 9 millions in 1898, and have never since recovered the old level. Cotton exports rose somewhat from 1891 to 1897, but have since fallen nearly to the level of 1896, and have been often far below it. The chief increases of quantity (not of value) are in oranges and salt. Raw wool has risen, but silk has fallen heavily.

Portugal, raising nearly half her revenue by customs

[1] 25 pesetas = £1. I give the Board of Trade figures, which differ from those of the *Statesman's Year-Book*, used by me before. The latter, however, show the same progression.

duties, attains expansion on the side of foreign trade no more than does Spain, as appears from the following figures of her total exports (merchandise only) :—

	Million Milreis.[1]		Million Milreis.
1887	28	1898	31
1888	32	1899	28
1889	32	1900	30
1890	32	1901	28
1891	31	1902	28
1894	27	1903	30
1895	26	1904	30
1896	26	1905	29
1897	27		

Portuguese exports, finally, are mainly of foods (including wine), animals, and raw materials; her small export of "various manufactures" ranging from 1½ millions in 1897 and 1¾ in 1898 to 2¼ and 1¾ in 1900 and 1901. Cotton manufactures have never recovered the levels of 1898-1900, but there has been a rise latterly in cork stoppers. Iron manufactures, always small, have fallen in 1902-5 below the levels of 1895-1901.

Broadly speaking, Spain and Portugal remain non-manufacturing countries; and their whole trade, relatively to their natural resources, is insignificant.

All along this line, then, Mr. Chamberlain's claim breaks down. Roughly speaking, two out of three of the protected States of Europe show no noteworthy commercial progress—some of them none; and three out of the five mentioned by Mr. Chamberlain are certainly *not* "doing very well" as regards external trade in manufactures. Obviously, then, there must be special causes at work in Germany and the United States, and on analysis these causes are found to be (1) possession, on a greater scale, of coal and iron resources such as have built up the wealth of Britain, and (2) forces of the nature of freedom in trade. German expansion in the last generation is most notable, because (1) since the memorable collapse created by capitalistic over-production after the receipt of the war indemnity, the advantages of the free trade newly set up as between the constituent States of the new

[1] Milrei = 4s. 5½d.

Empire have told in favour of industry on all hands; just as the freedom of trade throughout England and Scotland in the eighteenth century promoted our industry in comparison with that of France, where the burden of customs between districts at last aroused a "free trade" movement.

Other influences, such as technical education, have come into play in Germany; but above all is the great gain from the modern exploitation of formerly unworkable kinds of iron. The United States, in turn, have latterly derived special industrial advantages (1) from the free trade within their immense area, now that that is becoming populous enough for proper exploitation; (2) from the substitution of free for slave labour in the Southern States since the Civil War; and (3) from their relatively slight burden of taxation since the war debt was reduced by one-half and the population doubled. Finally, as will be shown later, import duties to a certain degree actually force exports, but mainly of raw material or of a kind produced mechanically in great quantity, and at a loss instead of a profit. The measure of a nation's well-being must always be internal distribution, never mere exportation, which, so far as it goes, is simply a removal of wealth.

And as regards this, the final test, the relative failure of Protection in Germany and the United States to secure general industrial well-being, is as flagrant as it was in the Britain of seventy or a hundred years ago, with her much smaller population, power of exploitation, and scientific experience. This we shall see in a separate inquiry; but here let it be noted once for all that the instant shrinkage of the protectionist case, on challenge, to the instances of Germany and the United States, is decisive as to its theoretic nullity. Whatever measure of prosperity may have been there attained, the cause cannot be Protection, for that has demonstrably failed to induce any similar expansion of trade elsewhere. And it is no part of the free-trader's case to deny that abundant possession of coal and iron by protectionist countries where the standards of education and energy are high, will set up commercial expansion. Even the small amount of iron-making, with wood for fuel, in England in the

eighteenth century—when already the trade was importing ore from Sweden and imperialists hoped to import more from the American colonies—gave English producers advantage over European competitors. For Protection cannot create coal and iron.

For the rest, the great extension of free trade area in the two countries mentioned is a free trade factor. Once more, if Protection were really a means of increasing wealth production, the principle ought obviously to be set up as between State and State within the German Empire and the United States. The fact that neither the individual States nor the aggregates dream of so setting it up, is a sufficient proof that the practice roots either in an irrational instinct which is not brought into intelligent relation with general practice, or in the mere predominance of certain powerful interests in the central legislatures of the two countries, or in both factors. Both are in the ordinary way of human unwisdom; and to cite the mere practice as a certificate of its own fitness is only to give one more illustration of the same fatality.

CHAPTER XIII

UNEMPLOYMENT AND EMIGRATION

It is well to deal separately with the points of emigration and unemployment, which have latterly borne the main stress of the protectionist argument in this country. As emigration is the simpler problem, it may usefully be taken first.

The ordinary tactic of the tariffist is to compare recent British with German emigration, saying nothing of any other case, and to conclude that the lower rate of emigration proves the greater prosperity. Such a thesis will not bear a moment's examination. As regards life conditions, Russia is probably the poorest country in Europe, yet her emigration was till recently insignificant. Denmark is indisputably one of the most prosperous, yet her rate of emigration is increasing. The following table will be found instructive :—

Countries.	Years.	Emigration for Three High Consecutive Years. Average per Annum.	Rate per 1000 of Population.
Great Britain . . .	1903-5	264,464	6·1
Norway	1902-4	27,214	11·9
Sweden	,,	29,473	5·6
Denmark	,,	8,024	3·2
Holland	,,	49,777	9·1
Portugal	,,	24,365	4·7
Italy	1904-6	668,499	20
Spain	,,	113,376	5·9
Austria-Hungary . .	,,	259,526	5·5

The comparison of the emigration statistics of Germany alone with those of Britain is thus shown to be thoroughly misleading as to the general connection of emigration with

fiscal systems. Holland and Britain have rather high emigration rates with free trade; Denmark has a lower rate with free trade in grain; Norway, Sweden, Spain, and Portugal have rather high rates with Protection; Italy, with Protection, has an enormously high rate; Germany and Russia alike have low rates with Protection, though they represent nearly the extremes of prosperity and poverty among protectionist countries. Concerning Germany, further, we have statistics only of *oversea* emigration. As regards Austria-Hungary, Britain, Holland, the Scandinavian States, and Italy, these are the main statistics; as regards Germany they may or may not be. From Italy 264,883 persons emigrated in 1906 to other European countries, as against 509,348 to America, North and South. At present considerably over half-a-million Germans in Europe are officially reckoned as "belonging" to Germany though residing abroad, apart from another hundred thousand, of whom the majority are in Britain. But the essential facts to be noted are (1) that emigration has fluctuated greatly in Germany in protectionist periods; (2) that the German land system gives Germany an advantage over Britain as regards retention of people on the soil; (3) that the rapid opening-up of the German iron-fields since the discovery, about 1880, of the Thomas-Gilchrist method of working hematite iron has supplied a means of employment irrespective of Protection; (4) that emigration from Germany to the United States—the chief resort of German emigrants—is naturally governed by the conditions of labour and wages *there*; (5) that Protection in regard to food supply *does* tend to keep on the land some population which would otherwise tend to emigrate; and (6) that German workmen are latterly much more attached to the Fatherland by their political hopes, in respect both of trade-unionism and of socialism, than they were a generation ago. Let us deal with these considerations in detail.

1. The first notable effect of the return to Protection in Germany, in 1879, was an immense wave of unemployment. In 1880, 400,000 workers were thrown idle,[1] and emigration rose at a bound from 33,227 in 1879

[1] Dawson, *Protection in Germany*, p. 82.

to 106,190 in 1880 and 210,574 in 1881. During the five years 1881-85 the total emigration was 817,763, as against 214,068 in the years 1876-80 and 381,085 in the years 1871-75.[1] Here was a change of rates that would serve to condemn Protection if any emigration figures could. After a fall from 1887 to 1889, according to German figures, the number rose again in 1891 to 120,089 and 116,339 in 1892;[2] whereafter, under the lowered tariffs created by Caprivi's policy of commercial treaties, it rapidly fell, reaching 22,073 in 1901, since which it has again risen somewhat, though still remaining relatively low. The German figures, indeed, are inconclusive, for while they put the total emigration for the years 1903-6 at 36,310, 27,984, 28,075, and 31,074, the United States tale of German immigrants for the same years is: 40,086, 46,380, 40,574, and 37,564. Still, even that makes a low percentage.

2. The German land system, apart from Protection, tends to keep a maximum number of people on the soil, as compared with the British, which needs drastic reform in the public interest. The turning of land to the purposes of sport is not a realisation of the principle of free trade, though reversion from tillage to pasture may be. Sporting land, as distinguished from public playground, is a symptom of socio-political disease. Free-traders had need look to land policy.

3. Labour in the German coal and iron mines, while there has been a large expansion of the field of employment, is much worse paid and has much longer hours than British labour of the same class. This keeping of masses of men at low standards of life is part of the price paid for Protection. Of course the high German birth-rate worsens those conditions as compared with those of France.

4. As life conditions in the United States grow steadily harder, in respect of uncertainty of employment and cost of living, Germans now stay at home who might otherwise have emigrated.

[1] Dawson, *Protection in Germany*, p. 180, citing Karl Strauss in *Petermann's Mitteilungen*, 1886.

[2] I here follow the *Statistisches Jahrbuch für das deutsche Reich*, 1907, p. 23.

5. Beyond question, however, a duty on grain and meat imports tends at present to keep a certain number on the land in Germany who might otherwise be moved to leave it. It is not true that this would happen in England at present, or that it did happen under the corn laws. "Between 1821 and 1831 there was an absolute decrease in the number of families in agriculture, in spite of an increase of about 19 per cent in the aggregate number of families in Great Britain. . . . Again . . . if we compare 1831 with 1841, with an absolute increase in population of over two million, there was an absolute *decrease* in the number of adult males employed in agriculture."[1] Thus the pretence that the corn laws in England meant "keeping the people on the land" is quite false. There was really going on a reduction of agricultural population under Protection by reason of the steady improvement in agriculture on the one hand, and the chronic embarrassment of the farmers on the other. But with a peasant proprietary the latter factor does not operate; and the former does not operate so rapidly. In so far, then, as the German land system means fair chances of life for small cultivators whose product feeds themselves, even if they do not raise grain enough for their needs, it tends to avert unemployment and to moderate emigration. In actual fact, however, the life conditions of large numbers of German peasants, who do not own their land, is one of extreme toil and extreme poverty; because, as we saw in the case of England, high food prices always mean lower and not higher wages on the land.[2] As to this we shall inquire later.

6. Psychic factors tell on emigration, though not on unemployment. Workmen who have learned to combine with their fellows for political and other purposes, and who count on reconstructing society, are likely to stay on under hard conditions where, but for their hopes, they would emigrate.

So much for emigration. As regards unemployment we have already seen the weakness of the protectionist case, in respect of the immense distress caused by the resort to

[1] Prof. Nicholson, *History of the English Corn Laws*, p. 119, following Porter's *Progress of the Nation*.

[2] Cp. Dawson, *Protection in Germany*, p. 225.

protection in Germany in 1879. But unemployment has since been at least as constant a phenomenon there as in Britain. Concerning British unemployment the facts are constantly distorted by protectionist propaganda. The official figures are based on returns relating (now) to over 600,000 members of trade unions; and, though they do not tell the total unemployment, they fairly measure fluctuations. The assumption often made, that they understate the general unemployment, is probably erroneous. They do not, it is true, include unskilled labour, but they include the skilled trades in which employment is most precarious—notably the building trades. In any case, they are the only statistics we have; and all our arguments must proceed upon them. If then we take it by periods of eleven years from 1860 to 1903, we find that on the average of each period it has varied only by a few decimal points over one per cent, being always between 3·7 and 5·0.[1] The average for the ten years 1897-1906, again, was 4·1; and the mean monthly percentage for 1907 was 4·2; which, excepting 1906, was lower than in any year since 1901. In 1904 it was 6·5.[2] In the opening months of the present year the rate rose to 6 per cent; but it had previously risen far more in the United States, and it now rose more rapidly in Germany.

German statistics of unemployment, it has been repeatedly pointed out, are not strictly comparable with British, because the conditions of registration of unemployed among the German unions differ. But, taking them as we find them, we have the record of these percentages of unemployment among some 1,300,000 trade-union workers in the four quarters of 1907:—6·4, 6·1, 6·8, 7·2; and in 1906:—6·5, 6·0, 5·9, 6·0. In 1905 the percentages were 8·8, 7·2, 7·3, 6·8.[3] Thus the German unemployment tends to be higher than the British even in good years; and when the industrial collapse in the United States in the past winter began to affect Europe, causing shiploads of European workmen to return, it rapidly set up in Berlin an abnormal distress.

[1] See the Second Fiscal Blue Book, 1904, Cd. 2337, p. 83.
[2] *Board of Trade Labour Gazette*, Jan. 1908, p. 3.
[3] *Statistisches Jahrbuch*, as cited, 1908, pp. 340-41; 1907, pp. 322-3.

Official figures early in January put the genuine unemployed for the city at 30,000; and the Socialists added 30,000 more for the suburbs.[1] According to the official *Labour Gazette* for February, "the sick funds which report to the Imperial Statistical Office showed a decline of 73,700 persons employed as against 5000 in the corresponding month last year." "From the report of the Central Labour Bureau for Berlin . . . as compared with January 1907, the demand for labour fell off by 40 per cent, and it also showed a decline on the previous month."[2] "*Der Deutsche*, a Nationalist periodical, says that . . . it is quite a normal condition when the unemployed in the German Empire number 300,000 in the summer and 500,000 in winter."[3]

It is hardly necessary to add that, as in Britain, certain trades suffer specially from unemployment. The chief of these are the building trades, which are among the most distressed in the past year. Turning to the German figures we find of the membership of the union of Bildhauer Deutschlands, Berlin, the percentages of unemployment in the four quarters of 1905 were 52·1, 44·0, 47·0, 48·0; in 1906, 45·0, 42·4, 42·3, 50·2; and in 1907, 48·0, 44·5, 54·3, 55·0. Turning to Switzerland we find similar state of things to be normal. A number of experiments have been made there in recent years by way of insuring workmen against unemployment, but all have failed substantially for the reason given in the case of the system tried at Berne:—

> The most striking fact in the experiment is the very large proportion of the subscribers who come upon the fund, over 63 per cent in 1901. The great majority of the subscribers belong to the building trades, most of them being builders' labourers.[4]

Protection, in short, cannot even pretend to protect such trades as those of building; and cannot in the least secure them employment. It can only make life-conditions harder

[1] Berlin Correspondent, *Morning Post*, Feb. 15, 1908.
[2] Berlin Correspondent, *Daily Telegraph*, Feb. 24, 1908.
[3] *Morning Post*, as above cited.
[4] *The Swiss Democracy*, by Henry Demarest Lloyd, edited by John A. Hobson, 1908, p. 144.

for the members when they are unemployed, and when they are employed.

The most decisive proof, however, of the failure of employment to secure steadiness in industry comes from the United States. With the largest area of fruitful and unoccupied land, the highest cultivation of inventive skill, and the largest mineral resources, that country exhibits at all times a scene of grinding toil for those in employment, and periodically the most general collapse of industry. The present collapse, though possibly the worst, is only one of a series. It invariably happens that when British protectionists revive the pretence of "making" work for the unemployed, the state of things in the United States suffices to reveal the nullity of their case. Fawcett, in 1878, was able to demonstrate, as against the then current assertion of the champions of "reciprocity" and "retaliation" to the effect that "the depression from which English industry is now suffering is due to free trade," a far worse depression in the United States, then the most highly protected country in the world:—

> This depression has fallen far more heavily upon the United States, where protectionist principles are carried out in their most extreme form. Nothing can more conclusively show this than the fact to which reference has already been made, that the advantages which were once offered to labour by the United States, compared with the advantages offered by England, have now so entirely ceased that the number of English labourers who settle in the United States scarcely exceeds the number of those who leave the United States for England. In 1877 the number of persons of British origin who emigrated to the United States was 45,481, and in the same year the number of persons of British origin who emigrated from the United States to England was 44,878.[1] However great, therefore, may be the depression of trade in England, it must be relatively much greater in the United States.[2]

A similar refutation lay to the hand of Lord Farrer in the 'eighties, when a revived protectionism energised under

[1] Board of Trade's *Statistical Tables relating to Emigration and Immigration*, 1878.

[2] *Free Trade and Protection*, 1878, pp. 124-5.

the banner of "Fair Trade." In the winter of 1884, Mr. W. B. Forwood of Liverpool, pronounced by Lord Farrer a most competent witness, wrote of the States as follows:[1]—

> It is not merely that the depression is intense; there are towns where not a single factory has worked for months past, and tens of thousands of men are literally starving; but there is no hope that things can be better—their only customers are their own people; the tariff practically prohibits exports, and it is said that there are sufficient cotton and woollen factories and ironworks to produce in six what they can consume in twelve months.

For the same period the Secretary to the United States Treasury testified in his report for 1884 that "some manufacturing companies have been forced into bankruptcy; others have closed their mills to escape it; few mills are running on full time, and, as a consequence, a very large number of operatives are either deprived of employment or are working for wages hardly sufficient to enable them to live comfortably, or even decently."[2] The U.S. exports for 1884 fell to 725 millions of dollars, from the 804 millions of 1883; and nearly forty railway companies, with an aggregate length of 11,000 miles, and £143,000,000 of capital and debt, went into the hands of receivers.[3] The number of bankruptcies for the years 1884 and 1885 were the largest ever known in the United States—11,620 and 11,116 respectively, with average assets of 54 and 46 per cent respectively.[4] In December 1884 *Bradstreet's Journal* set up an investigation of unemployment, which revealed that 350,000 fewer workers were then employed than in 1882, or about 14 per cent of the whole industrial army. But this seems to have been an under-estimate. The later British Report of the Commission on the Depression of Trade summed up

> that 430,000 men employed on the construction of railways, and 250,000 employed in factories, were thrown out of work; that

[1] Letter to the *Standard*, Dec. 16, 1884, cited by Lord Farrer, *Free Trade versus Fair Trade*, ed. 1886, p. 201.

[2] Farrer, p. 202.

[3] *Id.* p. 203, citing the *Economist*, Jan. 17 and May 16, 1885.

[4] *Id.* p. 205, citing *Bradstreet's Journal*.

cotton manufacture in Philadelphia was suspended; that the india-rubber manufacture was discontinued; that the sugar-refining industry was reduced to 60 per cent of its previous value; and that some of the most important iron furnaces and rolling mills were closed. Further, that the industries which chiefly suffered were iron, steel, and textile trades, all of them highly protected; that the demand for iron and steel fell off by 700,000 tons, causing in its turn on the part of the men employed in them a failure of demand for textiles and other things.[1]

Perhaps the most significant fact in the whole situation was that "six highly protected industries, iron and steel (also foundries and machine shops, etc.), clothing, cotton, woollen, tobacco, and glass manufactures, which employed 34 per cent of all industrial workers (as reported in 1880), had thrown out one-half of the total number of workers since 1882, 177,000 in number."[2] On the other hand, among the unprotected carpenters and builders, tanners, compositors, flour-millers, bakers, and lumbermen there was hardly any reduction of wages.[3] And the first and best resource of the men thrown idle was agriculture, unprotected in the United States because insusceptible of protection.

As we shall see in another connection, in a later chapter,[4] the collapse of 1893-5 was even worse than that above contemplated, being described by President McKinley in 1896 as "three years of dreadful experience." Vast processions of unemployed paced the streets of New York in 1894; and the bankruptcies of 1896 outwent all previous figures. McKinley's claim was that the trouble was due to "free trade"—his description of the mere modification of his own tariff by the Wilson Tariff of 1894; but the collapse had actually begun under his own tariff in 1893; and the Wilson Tariff greatly checked the heavy fall of revenue which then began. No one pretends, finally, that the collapse of 1907-8, in which half a million of men are said to have been thrown idle in a few weeks, can be traced to any slackening of Protection; on the contrary, it has set

[1] Farrer, p. 213.
[2] *Id.* p. 211, citing *Bradstreet's*, Dec. 1884.
[3] *Id.* pp. 212-13.
[4] Ch. xxii.

up among many a new conviction that Protection must be slackened. It is unnecessary to go elaborately into the figures of a depression so vast and so near; but it may be well to keep in view the record that at the end of December 1907, out of 66,120 members of 92 labour organisations in New York, 22,627, or 34·2 per cent, were out of work, as compared with percentages of 17·8, 6·7, and 12·8 in the previous three years;[1] while in Philadelphia, a month or two later, over 30,000 factory workers were still idle.[2] And "on a conservative estimate, taking the country throughout, from one-quarter to one-third of those usually employed in all industries" were unemployed in February 1908.[3]

If it be urged, on the protectionist side, that the last American collapse was primarily one of currency, and not of commerce, the answer is that the whole financial situation was the product of protectionism. Protection has fostered the Trusts; and the Trusts were responsible for the unsound finance which brought the banks to a standstill. "Out of a total number of 183 Industrial Combinations registered in the 1900 Census Returns, no fewer than 120 came into being after the introduction of the Dingley Tariff." And "since the last Census, combination in restraint of competition has gone much further, especially in the metal trade, by the formation of the gigantic United States Steel Corporation."[4]

But it is above all important to remember that extensive unemployment in the United States is a normal phenomenon. Apart from the severe distress of the periods of depression there is endemic unemployment on a scale not to be met with in any other country. The official figures of the 1900 Census show that there were unemployed at some time during the year 6,468,964 persons, or 22·3 per cent of all the workers over ten years of age;[5] and that of the male workers unemployed no fewer than 2,069,546, or 39 per cent,

[1] New York *Labour Bulletin*, Dec. 1907.
[2] *Morning Post*, Feb. 19, 1908.
[3] *Times* N.Y. Corresp., Feb. 10, 1908.
[4] *The Fruits of American Protection*, by J. A. Hobson, 1907, pp. 47-8.
[5] *U.S. Census* of 1900, p. ccxxvi. See *Trade Report* 3433, by the British Consul at San Francisco, for 1904, p. 25.

were idle from four to six months of the year; while in manufactures alone the unemployment affected 27·2 per cent of the whole workers.[1]

In this connection Mr. Robert Hunter, in his notable work on American poverty, declares that he has not the slightest doubt, and gives his reasons for believing, that "in fairly prosperous times no less than ten million persons in the United States are underfed, underclothed, and poorly housed"[2]—that is, are *below* the "poverty line"; adding, "but I am largely guessing, *and there may be as many as fifteen or twenty millions.*" Upon this the Tariff Reform League quote the last passage *without the words I have italicised*, giving a number of other passages in which Mr. Hunter, with a candour which the League will never imitate, admits the difficulty of stating precisely the total facts of American poverty. They then sum up that "Mr. Hunter's figures of poverty and unemployment in America, so frequently quoted by our free-traders, are utterly untrustworthy, since they are based, not on facts, but on guess-work. On Mr. Hunter's own admission, 'the extent of poverty in the United States is absolutely unknown.'"[3] The misrepresentation here is gross. Mr. Hunter's position is that there *must* be *at least* ten millions in poverty; and he knows not how many more. His main *figures*, as to unemployment and rates of wages, are perfectly authenticated; and his remarks as to the extent of *poverty* make no deduction whatever from the force of those figures. Let us see then what some of the figures are.

Whereas Mulhall's *Dictionary of Statistics* shows that London "has lost in pauper population fifteen times as fast as she has gained in general population,[4] the American Census of 1890 shows, from the returns of almhouses, that the number of paupers increased almost as fast as population in the decade 1880-90; while "in Hartford, Connecticut, the number of paupers increased about 50 per cent during the

[1] *U.S. Census* of 1900, pp. ccxxxv.
[2] *Poverty*, by Robert Hunter, 1905, pref. p. v. and pp. 11, 60, 61.
[3] *Speakers' Handbook*, ed. 1907, pp. 248-9.
[4] Ed. pp. 439, 444.

same decade."[1] Taking the figures of the New York State Board of Charities for the years 1897-9, and those of the Boston City Statistician for 1903, as correct, we find the numbers in distress "would equal proportionately the number of those in poverty in London."[2] As regards the figures of unemployment, our tariffists cavil as to their including the sick, the injured, and the members of season-trades, and, they at times add, many negroes who are unemployed by their own will. But further figures make short work of the last pretence. "The Massachusetts census for 1895 showed that 8339 workmen were unemployed continuously during that year, and that 252,456 persons were irregularly employed. This means that over 27 per cent of all persons covered by the inquiry were idle some portion of the year, while for 1885 over 29 per cent in the same State were irregularly employed."[3] And the coloured workers in Massachusetts are a negligible quantity.

"Still another investigation, made in 1897 in Massachusetts, showed that there were over 100,000 workers (about 30 per cent of the maximum number) in that State who found employment when the factories were most active, but who were unemployed when the factories were least active."[4] The "season" trades, be it noted, include the clothing trade, in which, in New York, "during the first seven months of the year 1903 there were never less than one-fifth of the men unemployed, and at times between one-third and one-fourth of all the workmen were without employment."[5] Again, as regards the unskilled Italians of Chicago, an official inquiry shows that "of the 2663 employed . . . 1517, or 56·97 per cent, were unemployed some part of the year . . . and the average time unemployed for those

[1] Hunter, p. 21, citing Hartford *Report of Special Committee on Out-door Alms*, p. 9.

[2] Hunter, p. 24.

[3] *Id.* p. 29, citing the census of Massachusetts, 1895, p. 105.

[4] Prof. R. Mayo Smith, *Statistics and Economics*, p. 97, cited by Hunter, p. 30.

[5] *Bulletin of N.Y. Dept. of Labour*, September 1903, p. 260, cited by Hunter, p. 31.

1517 persons was . . . over seven months.[1] It matters not how much of this unemployment be set down to sickness: only intense misery could produce sickness so widespread as to constitute any large part of the total causes of unemployment. According to the census of 1900, "44·3 per cent of the unskilled workers were unemployed some part of the year."[2]

But still more precise figures are available. In 1904 the Massachusetts Bureau of Labour set up an inquiry as to the amount and causation of the unemployment in a large number of trades, from which were reached the following conclusions:—

> The total time worked was 37,765¾ hours, or 78·08 per cent of full time. The total time lost was 10,601¼ hours, or 21·92 per cent. Of this lost time 2·54 per cent was due to sickness; 5·15 per cent to bad weather; 2·70 to the lack of stock; and the 11·53 per cent to lack of work.[3]

In this case there can be no pretence that the voluntary idleness of negroes enters into the statistic. And, be it observed, the idleness from bad weather and lack of stock would in our English trade union statistics figure as simple unemployment. Thus the Massachusetts unemployment for 1904 is some three times worse than that of England for the ame year.

Yet another investigation yields a similar result. The Labour Bureau of Pennsylvania made an inquiry into the employment in 350 businesses, employing 132,092 work-people, in the period 1892-1901. The year 1900 being taken as the standard with a measure of 100, we find this reached only in 1892 and 1898; and exceeded only twice, in 1899 and 1901, with figures of 112 and 114; while in the years 1893-97 the figures were: 89, 79, 93, 86, 88.[4] All this consists, of course, with the notorious facts of the

[1] *Ninth Report of Federal Bureau of Labour*, p. 29, cited by Hunter, p. 33.

[2] Census cited, p. 232; Hunter, p. 34.

[3] Hobson, *The Fruits of American Protection*, p. 28, citing Massachusetts *Report of the Statistics of Labour*, 1904, p. 10.

[4] Hobson, as cited, p. 29.

depression which began in 1893, under the McKinley Tariff. Taken with those of the previous depressions of the 'seventies and 'eighties, and of that of 1907-8, they are conclusive for any candid inquirer. It is specially significant that even in the city of San Francisco, not yet rebuilt, the beginning of the financial panic in 1907 was the beginning of unemployment. "After thousands had gone away," says a consular report,[1] "the number of unemployed is estimated at from 20,000 to 25,000; and it is certain that so much distress has not existed in San Francisco since 1894."

It should be noted, finally, that emigration statistics are an extremely imperfect clue to the life-conditions of labour in different countries. Emigration may even be a result of prosperity in some instances; men being able in good times to save up money for the purpose. When many more people leave the United States than enter them, as has happened in the past year, it may be taken as certain that unemployment is the cause. But when the number of emigrants from Italy increases, it does not follow that the condition of the people is worsening. The fact seems to be otherwise. Multitudes of the Italian emigrants to America return home after a time with saved money; and the example of their success leads new multitudes to imitate them. As regards the people of Britain, finally, it is certain that they have been an emigrating race for centuries, and that in their case the simple desire for travel, ministered to by the attractions of so many lands of English speech, counts for much. The true measure of unemployment, as of poverty, is to be found in statistics of more direct bearing.

[1] Cd. 3727, No. 3993. Trade of the Consular District of San Francisco for 1907, p. 28.

CHAPTER XIV

WAGES AND COST OF LIVING

THE pretence that Protection raises wages is not quite so common as the claim that it makes "work for all": indeed some tariffists are careful to disavow it; but it was advanced with his usual confidence by Mr. Chamberlain, and it plays its due part in a propaganda in which everybody is free to romance on his own account.

Everything in British experience in the Protection period is against belief in such a possibility as the advance of real wages by means of raised prices. English wages were, it is true, reputed high in that period; but the lower money wages of France were also paid under a system of Protection; and the phenomenon stood simply for that higher "standard of comfort" or rate of expenditure which, by reason of defective management, still subsists in England without a proportional command of real comfort.[1] It is quite certain that wages never rose with corn prices,[2] but the reverse; and the index prices show that, under free trade, money wages actually began to rise while nearly all prices had fallen.[3] That this process continued in the latter part of the century, not even protectionists deny. The argument even of Mr. Chamberlain is not so much that Protection raises real wages as that, when Protection raises prices, money wages will rise also.

[1] Cf. Ernst Dückershoff, *How the English Workman Lives*, 1899, pp. 37, 40, 47; M'Donnell, as cited above, p. 96; Ricardo, *Principles of Pol. Econ.*, ch. v.; and Dawson, *Protection in Germany*, p. 187.

[2] See above, p. 97; and cp. Nicholson, *History of the English Corn Laws*, p. 53.

[3] See above, p. 136.

And the elaborate argument of Professor Ashley, in his work on the proletariate of Germany, will not do more than claim that "Protection has not been inconsistent with—has, if you like, not prevented—a great advance"[1] in conditions of well-being. But for the use of the word "great," which is not justified by the evidence presented, this proposition might be at once acquiesced in, and put aside as irrelevant to the issue. Professor Ashley himself avows that "the wise attitude to take up is that of a man like Von Berlepsch"; and he himself cites as fully expressive of that publicist's views the following passage from a speech delivered in 1890:—

> I am very well aware that the condition of industrial wage-earners has, *on the whole*, become better in the course of *recent decades*, and that with some industries and classes of workmen the improvement has been *quite considerable*. Absolute, permanent poverty (*Elend*) has considerably diminished; indeed, it has practically retreated to certain branches of "home work."[2]

Here the claim is quite modest, and the improvement claimed is asserted to have gone on in the free-trade period as well as in the protectionist. Professor Ashley does not really allege that the rate since 1890 has quickened; so that his "great" is an overstatement, if adjectives are to mean anything. He goes on to avow: "That there should remain very much that is saddening and alarming in the outlook there, as in Great Britain—who can expect otherwise?" On that basis there might well be agreement. But Professor Ashley is allied with a party of whose majority the last concern is to reach scientific views or state critically the truth on anything; and by them the case for German working-class conditions is put in a very different fashion from his. And even he has been more concerned to supply his friends with plausible answers to free-traders' criticisms than to make a really scientific statement. The too true circumstance that continental workers generally make better use of their wages than British is by him used to suggest that the Britisher is not really better rewarded. The unsupported assertions of individuals as to rates of German wages he puts to the front,

[1] *The Progress of the German Working Classes*, 1904, pref. p. 6. Cp. p. 53.
[2] Work cited, preface, pp. 9-10.

as against the tables of wages framed by the Board of Trade officials; and he speaks of the latter as "adroitly" evading "either accepting or rejecting" an unsupported and improbable assertion by "leaving the figures as they stand on the record to speak for themselves." To abstain from characterising a baseless assertion as worthless seems to be, in Professor Ashley's opinion, to "evade either accepting or denying it." I shall not be here guilty, then, of such evasion; but will simply say that if it be true, as he partly implies,[1] that wages in German iron-works are higher than in English, he ought to have been able to prove it by citing the figures,[2] and that the vague allegations on which he founds can have no value as against tested and precise results. He does not affect to deny the truth of the comparison in the Board of Trade Fiscal Blue Book of 1903 between average rates of wages in thirteen skilled trades in other than the capital towns in Britain and Germany:[3]—

	United Kingdom.		Germany.	
	s.	*d.*	*s.*	*d.*
Masons	39	2½	27	6
Carpenters and joiners	38	3	21	7½
Plasterers	39	3	27	6
Turners	35	0	20	0
Fitters	35	0	20	0
Smiths	36	0	21	7
Patternmakers	37	0	21	0
Brass-moulders	36	0	19	11
Compositors	32	3	23	1
Lithographers	34	0	23	7
Cabinetmakers	35	6	22	6
Upholsterers	36	0	27	11
Coopers	36	0	22	7½
Average	36	0	22	6

Checking one inquiry by another, let us take a comparative table[4] independently compiled three years ago, in which the

[1] Work cited, pp. 10-12.

[2] He names Prof. Hasbach as guardedly suggesting such a state of things. But Hasbach gives figures which put English wages for iron-workers in 1902 higher than German. See them below.

[3] Blue Book on *British and Foreign Trade and Industry*, Cd. 1761, 1903, pp. 291-2. In the capital towns the averages were: United Kingdom, 42s.; Germany, 24s.

[4] Given by Mr. E. F. G. Hatch in his pamphlet, *In Support of Free Trade: a Resumé of some of the Main Arguments*, popular ed. 1906, p. 17.

rates of wages prevalent at Gorton, Manchester, in fourteen trades, are contrasted with those current in Germany :—

Trades.	Gorton, Manchester.			Germany.		
	s.	d.		s.	d.	
Patternmakers	40	0	a week	21	0	a week
Brass-moulders	36	0	,,	26	0	,,
Fitters	36	0	,,	22	6	,,
Smiths (average)	38	0	,,	21	0	,,
Lithographic printers	35	0	,,	27	0	,,
Cabinetmakers	36	0	,,	22	6	,,
Upholsterers	40	0	,,	23	0	,,
Carpenters	0	10	an hour	25	0	,,
Railwaymen—						
Foremen shunters	30	0	a week	20	0	,,
Second man	26	0	,,			
Signalmen (maximum)	30	0	,,	16	6	,,
,, (minimum)	22	0	,,			
Ticket collectors (maximum)	26	0	,,	16	9	,,
,, (minimum)	22	0	,,			
Porters (maximum)	21	0	,,	17	0	,,
Permanent-waymen	27	0	,,	15	0	,,

Yet another test is supplied in the comparative table compiled in 1902 by a trained German economist [1] after a personal study of English industrial life :—

	Germany.			United Kingdom.			Board of Trade Blue Book.					
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Coal-miners	1	1	0	1	13	11	1	12	0	to 1	19	0
Iron-workers	0	18	3	1	4	6		...			...	
	to			to								
	2	1	2	2	10	0						
Turners	1	6	0	1	13	0	1	15	0	to 1	18	0
Machine makers and fitters	1	4	6	1	13	0	1	15	0	to 1	18	0
Smiths	1	7	5	1	13	0	1	16	0	to 1	18	0
Patternmakers	1	4	9	1	18	0	1	17	0	to 2	2	0
Shipwrights	1	5	10	1	14	0		...			...	
Coppersmiths	1	3	5	1	6	0	1	16	0		...	
Masons	1	1	7	1	13	9	1	19	2	to 2	3	9
Carpenters and joiners	1	2	4	1	12	9	1	18	3	to 2	3	9
Wood turners	0	18	5	1	10	0		...			...	
Pottery workers	1	2	7	2	7	0		...			...	
Woollen weavers and spinners	1	0	7	1	0	0 (?)		...			...	
Cotton spinners	1	0	0	1	15	6		...			...	
Cotton weavers	0	12	6	0	18	0		...			...	
Shoemakers	0	18	1	1	15	0		...			...	
Compositors	1	8	5	1	15	0	1	12	3	to 1	18	0
Seamen	0	12	9	0	15	5	0	15	0	to 1	2	6

[1] Prof. W. Hasbach, *Zur Charakteristik der englischen Industrie*, in Schmoller's *Jahrbuch*, 1903; cited by Dawson, *Protection in Germany*, p. 189. There is clearly an error in the figures for woollen weavers.

It will be observed that the German investigator's results differ to some extent from those of the Fiscal Blue Book—a result, apparently, of his having studied the wages of particular districts instead of taking an average of the whole country. But the figures broadly agree, especially as to the much higher rates of English than of German wages; and when a German inquiry thus substantially coincides with an English one, the result may be held as trustworthy. The "personal equation" may be taken to be eliminated. Now, if these figures be true (and Professor Ashley in effect grants the *general* superiority of English wages),[1] no argumentation as to the slacker rate of work in the longer German hours of labour (an obviously likely thing),[2] and no comparison between German glass-works in forest country and English glass-works in towns,[3] can have any rebutting effect. Beyond question we may learn many things from Germany: the question here at issue is solely as to whether we can learn anything from her in the matter of fiscal policy.

If the foregoing rates of wages be correctly stated, nothing save a proof that German costs of living are low correspondingly to wages will avail to give any colour to the protectionist thesis. On this head it is not too much to say that Professor Ashley "evades" the problem by talking of the low costs of potatoes and vegetables, "in some districts at any rate," and by dwelling on the prices of eggs and milk, and suggesting that when the German housewife "*does* purchase beef, *which is seldom*, she gets that too a trifle more cheaply."[4] The question which an economist should have set himself to solve is whether German costs of living under Protection have or have not risen (1) proportionally to wages, and (2) proportionally to incomes in general. This Professor Ashley "evades" doing. Occupying himself with rents, he does not show that even there the Germans have the best of it. And he cites the statistics as to the higher longevity of the population in Prussia than in England, without suggesting the obvious explanation that the English proportion of town-dwellers is the larger. But even if it were not, the figures

[1] Work cited, p. 10.
[2] *Id.* p. 13.
[3] *Id.* pp. 15, 25.
[4] *Id.* pp. 23-5.

are irrelevant. German industrial life has grown up on its present scale much later than English; and if new English manufacturing towns are sure to be more healthy than the older, the same may well be the case in Germany, even under Protection. These matters are controlled by other factors.

But even in this connection we are met by the testimony of the student Paul Göhre, who, working for three months in a large machine-making establishment at Chemnitz, testified to the multiplication of workmen's houses "hastily and poorly built"; to the existence of many "which lacked no element of wretchedness in construction, arrangement, or surrounding"; and to a desperate amount of overcrowding. The same observer stated that among the body of workmen in question, "one of the most prosperous and most favourably circumstanced of the whole body of working men in Saxony," the average monthly wage was £4, and a pay of about 4d. an hour (with eleven hours' work per day) was "considered highly satisfactory."[1] A German miner, again, testifies that English miners are better fed, stronger, and less hard-worked than German.[2]

According to official returns cited by Mr. Dawson, the average yearly wages paid in the collieries of Prussia in 1901 and 1902 were:—

District.	1901. £	s.	d.	1902. £	s.	d.
Upper Silesia	43	12	0	41	0	0
Lower Silesia	43	11	0	39	19	0
Dortmund	61	4	0	56	11	0
Saarbrücken	52	2	0	52	13	0
Aix-la-Chapelle	58	2	0	55	19	0

While the wages in the iron ore mines were:—

District.	£	s.	d.	1902. £	s.	d.
Mansfeld	50	1	0	48	5	0
Upper Harz	33	18	0	34	3	0
Siegen-Nassau	45	4	0	39	6	0
Other districts right of the Rhine	40	13	0	39	3	0
Other districts left of the Rhine	36	2	0	34	0	0

[1] Göhre, *Three Months in a Workshop*, Eng. trans. 1895, pp. 15, 19-26.
[2] *How the English Workman Lives*, by E. Dickershoff, 1899, p. 18.

Thus the workers of Germany suffered from the depression of 1901-2 to a lamentable extent in those very industries of which the expansion has been the source or basis of the general expansion of German manufactures. The case was thus put by the Secretary of the Association for the Advancement of the Interests of the Chemical Industry in Berlin in September 1903:[1]—

> The standard of life of the workers has considerably worsened. The place of nutritious bread has to a large extent been taken by cheap potatoes; the consumption of meat, which has become dearer, has greatly decreased; and that of the most indispensable luxuries, as sugar, coffee, beer, tobacco, etc., has also diminished. The consumption of rye fell between 1901 and 1902 from 147 to 137 kilo. per head of the population; that of wheat, from 91 to 85 kilo.; that of sugar, from 12·3 to 11·6 kilo.; that of coffee, from 3·01 to 2·95 kilo.; while simultaneously the consumption of potatoes increased from 604 to 732 kilo.; and that of herrings, from 3·59 to 4·06 kilo. So, too, the consumption of meat decreased. During the first half of 1902 there were slaughtered at abattoirs 197,000 fewer pigs than in 1901, while *in eleven towns the consumption of horse-flesh increased from 35 to 200 per cent.*

It is important to note that this followed upon with some cheapening of food. The first Fiscal Blue Book showed that while the decline in cost of food for German workmen from 1877 to 1901 had been less than for British workmen, a decline had taken place. The figures were, taking the period 1897-1901 as the standard, at 100·0:—

Period.	Germany.	Britain.
1877-1881	112	140
1882-1886	101	125
1887-1891	103	106
1892-1896	99	98
1897-1901	100	100

While the British workman could buy for 100 shillings in 1897-1901 what cost him 140 shillings in 1877-1881, the German workman had similarly benefited to the extent of 12 shillings.

[1] Cited by Dawson, *Protection in Germany*, p. 196.

Latterly, however, many had been driven to a lower level of nutrition, even with reduced prices. With the subject of the food use of horse-flesh, Professor Ashley deprecatingly deals in an Appendix, wherein he gives a table to show that while 2055 horses were eaten in Munich in 1901 as against 778 in 1881, the population in the period has risen from 233,600 to 503,000, so that the "number of population to one horse" has fallen from 380 to 245. It would positively appear that Professor Ashley, in preparing this surprising table, supposed that a consumption of one horse per 245 persons is a *less* consumption of horse-flesh than occurs at the rate of one horse to 380 persons. No other inference can be drawn from the preceding sentence:—"*But* we have to ask how many [horses] had been killed in earlier years, and in what proportion they stood to the population."[1] In reality his figures show that in 1883-84 the consumption of horse-flesh suddenly increased; that, after a reduction in 1886-88 it increased again in the period 1889-94; and that matters have been pretty bad since 1898, notably in the depression of 1901. In the whole period, while the population of Munich increased by 110 per cent, the consumption of butcher-meat in general increased only by 81·33 per cent, the decrease per head being from 94·8 to 81·8 kilogrammes.[2]

Finally, the latest official statistics available exhibit a notable increase from 1904 to 1905 in the amount of horse-flesh consumed in thirteen German towns, including Berlin, Hamburg, Leipzig, and Munich. In not one case is there a decrease; while the increase varies between over 2500 horses in Berlin (from 11,192 to 13,752) and 74 in Stuttgart. In seven other towns in which the *per capita* consumption is given, an increase is noted in three cases, and a maintenance of the rate in four.[3] And now prices all round are rising more rapidly than wages. Taking the question as a whole, we find that while the average rises in wages in the German engineering trades between October 1905 and March 1908 have been from 6·7 to 9·2 per cent, and in the building

[1] Work cited, p. 158. [2] Dawson, *Protection in Germany*, p. 197.
[3] Board of Trade Report on *Cost of Living in German Towns*, Cd. 4032, 1908, p. xxiii.

trades from 4·6 to 9·1 per cent, the average increase in the price of rye bread—the main bread of the people—in the same period has been 23 per cent—the figure in Berlin being as high as 32 per cent.[1] In Magdeburg the *per capita* consumption of meat fell from 1903 to 1905 by 10 lbs.; in Mannheim, by 8 lbs.; in Königsberg, from 1905 to 1906, 31 lbs.[2] The only measurable gain is in respect of some small reductions of working hours.[3]

All this consists perfectly with the general free trade argument. Protection raises prices all round, and cannot raise wages in the same proportion, though a policy of forced production, by increasing some forms of output, may imperfectly balance the burden. Since Professor Ashley wrote, matters in Germany have gone from bad to worse as regards meat-famine, horse-flesh-eating, and rise in the other costs of living. In 1902 (for which, writing in 1904, he does not give us the horse-flesh figures of Munich) the following newspaper report[4] of September 12 told of the state of things in Berlin:—

No fewer than seventeen meetings were held simultaneously in Berlin yesterday, to protest against the high prices of meat. All the meetings were crowded, and in most instances the police had to close the doors to prevent dangerous crushing. Each hall was surrounded by crowds of people who were unable to gain admittance. The prices have gone so high that for the workman's family meat has become almost impossible, and in the poorer districts in the provinces the consumption of meat has become nil, and in consequence sickness is said to be rife in many places. The cause of the high prices is considered to be the strict frontier regulations as regards the import of foreign meat and the Inspection of Meat Law of June 1900. Under the pretext of preventing the importation of diseased cattle and meat, the agrarian cattle breeders' petition for the almost total closing of the frontiers to foreign meat by making the conditions stricter was granted. By the new Inspection of Meat Act the importation of fresh and pickled pork is prohibited; and as the supply of German-bred cattle is insufficient, the result is scarcity, coupled with high prices.

[1] Board of Trade Report on *Cost of Living in German Towns*, Cd. 4032, 1908, pp. xxxvi.-xxxvii. [2] *Id.* pp. 285, 324-5, 347.
[3] *Id.* p. xxxix. [4] Copied by Dawson, *Protection in Germany*, p. 194.

After 1902 there was some relief; but in the spring, summer, and autumn of 1905 matters were as bad as ever. A glance into an old newspaper recalls the fact that in September of that year the municipality of the town of Solingen bought 5000 kilogrammes of fish to sell again to the people at cost price, by way of "fighting the meat-famine," and that the elders of the Chamber of Commerce in Berlin planned to take some means to resist the "pressing danger to trade and industry" which the meat-famine involved, inasmuch as it was lowering the productive power of German workmen, as well as their power to purchase other articles than food. Demands were made that the import duties on the Danish frontier should be lightened; and a conference of the burgomasters of Baden was held to formulate and further the appeal.[1] In 1906 there was no improvement. At a time when the coal mines of North Germany were said to be suffering from lack of labour through the attractions held out to it by good wages in agriculture, the mass of the people were suffering from the high costs of food set up by the artificial protection of the agricultural interest. Sir William Ward, the British Consul-General at Hamburg, reports as follows:[2]—

The rise in the prices of meat, which has during the last two or three years been an increasing source of dissatisfaction both in this and other parts of Germany, became even more acute in the year 1906. The cause of these high prices is considered here to have been partly the introduction of the new German customs tariff, and partly the higher cost of many other necessaries of life. . . . In its annual report the Hamburg Chamber of Commerce remarks, with reference to this subject: "The representations both of the Senate of Hamburg and also of many German municipal bodies and Chambers of Commerce have, so far, met with no response on the part of the Imperial Government. On the contrary, the measures connected with the system of inspection of imported meat have been rendered even more severe, and the opinion consequently obtains that agriculture is favoured to the

[1] *Kölnische Zeitung*, Sept. 22, 1905, p. 2.

[2] *Consular Report*, No. 3889, on Trade of Hamburg for 1906. Cd. 3823-150, 1907, pp. 48-9.

prejudice of other economic interests in this country." It is admitted that the German Government is alive to the existence of the high price of meat, but that, beyond introducing certain reductions in the rates of carriage by rail for meat, and repealing the law prohibiting the importation of fresh pork from Scandinavian countries, it only contemplates a revision of the rates charged for the inspection of meat, and it relies mainly upon the future development of cattle-breeding in Germany.

Thus goes it with the people of Germany under Protection. All round, life is made harder by the determination to "keep up prices" in the interest of producers. The artisan is driven to eat horse-flesh by the attempt to keep up agrarian profits on cattle-breeding; and meanwhile the peasant, called upon to pay higher prices for wares in order to keep up the profits of the manufacturers, buys less or buys worse articles. Each burdens himself in burdening the other. If duties were removed, more exports would be required to pay for the imported food; wages would rise; total demand for food would increase, and prices of rural produce would recover without causing distress. But the "interests" cannot see it; and so they continue to revolve in a vicious circle of mutual injury. The costs of living have so increased in Germany within the past few years that in the present year Imperial and Bavarian Ministers have alike admitted the pressing need of raising the salaries of the whole civil service of the Empire. On the present salaries, most cannot make ends meet. But for Prussia alone the extra cost is estimated at £15,000,000; and how is the money to be raised save by taxing more heavily the already overburdened citizens? To cite, as does the Tariff Reform League, the higher wages of 1906-7 without telling of the proportionally higher costs, is to deceive British readers.

Let it be readily granted that the amount of organised voluntary effort for the alleviation of the hardships of industrial life is higher in Germany than in Britain. We may usefully copy many German institutions, some of old and some of recent standing, which aim at helping the unemployed to find work, at helping them to live while out of work, and at giving actual employment to vagrants on the land, as in

the labour colonies.[1] In these directions, and as regards the great problem of securing access to the land, Britain has certainly lessons to learn from her "rival." But the very existence of all that machinery is a proof that mere Protection has utterly failed to dispose of poverty and distress to the extent alleged by protectionists in this country.

Whatever British tariffists may say, the mass of the German workmen are under no doubt as to the injuriousness of Protection in regard to them: "Down with a ruinous protectionist policy which injures the vital interests of many millions of people: down with a protectionist policy which oppresses the poor and favours the rich; . . . which has pillaged the pockets of the workers." So ran the *Vorwärts'* election manifesto of 1903. Rechenberg and Mombert have testified to the under-consumption of food among the German workers in general; Dr. Adolph Braun, in his Summary of the Enquiry made by the Berlin Sanitary Committee in 1893, writes that "the majority of the people can pay their house rent only on the supposition that portions of their dwellings are regularly let to lodgers, and that their wives and children are able to contribute to the costs of the household"; and in his account of the results of an inquiry into industrial life conditions at Nuremberg in 1900 he sums up that "it is only in exceptional cases possible for married workmen to maintain a family with their own wages."

While protected town labour is at this pass, protected rural labour fares no better. For, despite the comparative merits of the German land system as regards the distribution of holdings, it is not true that the condition of the German peasant is generally good. Professor Ashley presents merely the picture of the peasant-proprietor living on his land, giving no particulars. All the while, just as in England generations ago, the German agriculturist chronically declares that his position is desperate, though his industry takes from his countrymen a tax of from thirty to forty millions a year. Of the small holders, many have been indifferent or opposed

[1] On these and all the other machinery, national, municipal, and private, for helping the workers of Germany, see Mr. Dawson's interesting and instructive book, *The German Workman* (King, 1906).

to Protection,[1] having nothing to gain from it, and something to lose, as they hardly ever have corn to sell.[2] And, as regards the many labourers who own no land, it is clear that they have benefited no more by Protection than did those of England in the corn law period. While rural wages run as high as 10s. to 13s. a week on the Rhine and in Alsace, in Pomerania and Eastern Prussia they run from 6d. to 9d. a day. "Upon many estates of East Prussia at the present time the entire income of a labourer and his family, inclusive of all payments in kind, does not exceed £20, that being the basis adopted by the insurance authorities in their accident calculations."[3]

Hours of work, finally, remain much higher in Germany. In the building trades, in most towns, the working week is 59 or 60 hours; in the engineering trades, mostly 60 hours. In England, the hours are, for the building trades, often under 50, rarely over 56; for the engineering trades, mostly 53, hardly ever over 54.[4]

On this as on other lines of inquiry, then, we find that Protection yields no provable gain to the workers, inasmuch as its real burdens always outgo its nominal benefits. And when we examine the life conditions of the workers of the United States, the proof is clinched yet again. We have seen how they suffer from unemployment. It remains to take account of their loss through perpetually increasing costs of living and inadequate wage. To begin with, there is a strong consensus of testimony to the effect that the "poverty line" of income, which in English towns is between £50 and £65 a year for the average family of five, is in New York (with very high rents) between £110 and £125. The New York Bureau of Labour considers £108 "inadequate for city workmen"; and a leading charity organiser thinks £130 is necessary. Putting the line in other northern cities and towns at £95, and at £62 in the South, Mr. Hunter thinks "it is hardly to be doubted that the mass of the workers in

[1] Dawson, p. 215.

[2] Prof. Ashley's statements on this head should be checked by the testimonies collected by Mr. Dawson, pp. 216-19.

[3] *Id.* p. 228.

[4] Board of Trade *Report on Cost of Living*, Cd. 4032, 1908, p. lvi.

the North receive less than $460 (£95), or that the same class of labourers in the South receive less than $300[1]" (£62). The New York Labour Bureau shows no wage above $414 among 100,000 of the sweated tailoring trades, and many as low as $210; while the census of 1900 shows percentages of unskilled labour earning below $310 in the woollen and cotton mills and bakeries, varying from 13·4 to 90·5. The smallest proportion of earners of less than $6 a week is found among the cotton-spinners of the New England States; the highest among the best skilled woollen-mill hands of the Middle States. But even in the New England States, among the latter class the proportion is as high as 68·9 per cent.[2] In the South, "Mr. Elsas, of the Georgia Cotton Mills, confessed that the average wage paid his employees [of both sexes] was $234 a year. Even men were given only from 75 to 90 cents [*i.e.* from 3s. 1½d.] a day for twelve hours' work."[3] And "since the census was taken there have been two wage reductions in the cotton mills, one of 10 per cent in 1903, and a later one of 12½ per cent in 1904."[4] To which we have to add that on May 29, 1908, the wages of 30,000 Fall River operatives were reduced by over 17 per cent.

Perhaps the plainest of all symptoms of industrial poverty is child-labour; and "in the worst days of cotton-milling in England the conditions were hardly worse than those now existing in the South" of the United States.[5] "The twelve-hour day is almost universal in the South; and about 25,000 children are now employed on twelve-hour shifts in the mills of the various southern States."[6] Many children work all night in an atmosphere of vapour and cotton-fluff. Mr. Hunter saw one child of six "working twelve hours a day, in a country which has established in many industries an eight-hour day for men."

In the anthracite districts of Pennsylvania the boys take it as a matter of course that they do not go to school, but "work in the breakers."[7] In the mines, mills, forges, and

[1] *Poverty*, as cited, pp. 51-4.
[2] *Id.* Appendix C.
[3] *Id.* p. 54, citing *Rep. of Indust. Comm.*, vol. iv. p. 574.
[4] *Id.* p. 54, note.
[5] *Id.* p. 232.
[6] *Id. ib.*
[7] *Id.* p. 236.

factories of Pennsylvania 120,000 children were working in the year 1900; many of them under twelve. Girls of eleven worked from 6.30 in the evening till 6.30 in the morning.[1] "An appeal for State protection of the little ones, made public a short time ago, asserted that," in New Jersey, "children of six years of age were employed in the glass factories. Great numbers of children worked all night. One factory alone, it was said, had 280 workers, mostly children between ten and fourteen years of age."[2] All this goes on, be it remembered, in protected industries. As to this we may cite the general testimony, penned in 1886, of Henry George:[3]—

It is a matter of common knowledge that those to whom we have given power to tax the American people "for the protection of American industry," pay their employees as little as they can, and make no scruple of importing the very foreign labor against whose products the tariff is maintained. It is notorious that wages in the protected industries are, if anything, lower than in the unprotected industries; and that, though the protected industries do not employ more than a twentieth of the working population of the United States, there occur in them more strikes, more lock-outs, more attempt to reduce wages, than in all other industries. In the highly protected industries of Massachusetts, official reports declare that the operative cannot get a living without the work of wife and children. In the highly protected industries of New Jersey, many of the "protected" laborers are children whose parents are driven by their necessities to find employment for them by so misrepresenting their age as to evade the State law. In the highly protected industries of Pennsylvania, laborers, for whose sake we are told this high protection is imposed, are working for sixty-five cents a day, and half-clad women are feeding furnace fires. "Pluck-me stores," company tenements and boarding-houses, Pinkerton detectives and mercenaries, and all the forms and evidences of the oppression and degradation of labor, are, throughout the country, characteristic of the protected industries.

To the eye of the poorly paid Hungarian and Italian labourer—though no longer, it would seem, to that of the

[1] *Poverty*, as cited, p. 236. [2] *Id.* p. 237.
[3] *Protection and Free Trade*, ed. 1903, pp. 229-30.

instructed artisan of Germany—the high money wages of some American workmen are irresistibly alluring; but as fast as the nominal reward rises the advance is nullified by the rise in prices. The figures of recent years are startling even to the free-trader. In 1890-91 the U.S. Commissioners of Labour made an analysis of expenditures in the cases of varying numbers of families in the States, Britain, Germany, and France, representing an average income of 33s. 10½d. per week in 455 British families; 46s. 4¾d. per week in 2541 families in the States; 25s. 5½d. in 150 French; and 19s. 11¾d. in 42 German families. The relative expenditures on food, rent, clothes, fuel, and light worked out at 26s. 2d., 33s. 4½d., 18s. 11¼d., and 15s. 7d. The test is not a very searching one; but it indicates for the States, at the time in question, an advantage in that the higher costs did not absorb the superiority in wages. But there can be no such advantage to-day. Taking as a standard year 1896, that preceding the establishment of the high Dingley Tariff in the States, we find the following comparative

CHANGES IN WAGES AND WHOLESALE FOOD PRICES SINCE 1896[1]

	U.K. Wages.	U.K. Food Prices.	U.S. Wages.	U.S. Food Prices.
1896 . .	100·0	100·0	100·0	100·0
1897 . .	100·9	104·4	99·9	104·6
1898 . .	103·8	109·6	100·4	112·6
1899 . .	106·5	105·1	101·7	117·2
1900 . .	112·0	107·2	104·6	124·3
1901 . .	110·4	107·6	106·4	126·3
1902 . .	108·6	109·0	109·6	132·8
1903 . .	107·7	108·0	112·8	127·8
1904 . .	107·0	108·0	112·7	127·9
1905 . .	107·5	108·5	114·5	129·7
1906 . .	109·3	107·7	119·1	134·3

The "100·0" in the case of the States stands of course for higher figures than in that of Britain; but the upshot is that while wages in the States increased in ten years by 19·1, as compared with a 9·3 rise in Britain, wholesale food prices

[1] Compiled from the Board of Trade's *11th Abstract of Labour Statistics* and the *71st Bulletin of the U.S. Bureau of Labour* for the Free Trade Union.

there increased by 34·3 per cent, against an increase of only 7·7 per cent here.

When we compare with the above figures the special statistics of New York State we reach very similar results. Between 1877 and 1906, says the *24th Report of the Labour Bureau* of that State,

> the wholesale prices of food increased 28·4 per cent, and the wholesale prices of all commodities increased 36·5 per cent. . . . Rents, especially in the large cities, have increased enormously in the past few years, following increases of 30, 50, and even 100 per cent in the price of lumber, hardware, and other building materials. The consequence is that rent, which in a normal family of the working class should account for only 18 per cent of the expenses, now absorbs 25, 30, and even 40 per cent of their income. . . . The evidence tends to show an advance in the cost of living of 30 or 35 per cent since 1897, varying with the income and style of living of different families, and also with local rents.

And while the wages of hand-workers kept pace with the rise in food prices, though not with the rise in rents, between 1900 and 1905, "the average income of salaried officials, clerks, etc., increased less than 1 per cent in the same period."

For the year 1907 the records are worse still. Continued rise in the costs of nearly all commodities went on up to the moment of general collapse. The most remarkable feature in the whole process, perhaps, is the dearness of *bread* in a country that exports wheat. Loaves in the States vary both in size and price; but the general fact stands out that in 1903 the price of 4 lbs. of bread in New York was 10d.,[1] and that "between 1904 and 1906, the average price of bread per lb. in the States was considerably higher than at any time during the previous fifteen years, being highest in 1905." Thus is abundance itself turned to the semblance of dearth by the heightening of all the prices of "protected" articles. In sum, once more, the American workman had need have double the wages of the British, to meet his costs. And he has not.[2]

[1] Fiscal Blue Book, 1903, Cd. 1761, p. 221.

[2] The *Speaker's Handbook* of the Tariff Reform League (4th ed. p. 195) persistently repeats the figures of the "delegates" who went (in a year not

One of the American economists who champion Protection, Professor R. E. Thompson, has consoled his countrymen for the loss of their mercantile marine—which he accounts for by saying that they "have absolute free trade in the matter"—on the score that the work of sailors, "while the most difficult, dangerous, and severe of human employments, is also the most unproductive, the most useless." "Bentham thought the worst possible use that could be made of a man was to hang him; *a worse still is to make a common sailor of him.*"[1] The grapes, no doubt, are very sour! But it must be a hardy optimism that can maintain this note in the United States before the spectacles of pallid children toiling in the factories twelve hours a day—or twelve hours a night; of the weary adults, worn to inanition before middle age through the murderous pace of the machine, or driven by it to that absolute loathing of work which makes the indurated tramp; of the reduplication in republican cities of every industrial evil that ever stained the life of age-worn Europe; of families forced to work the woman and the child in forge and mine, to make ends meet in producing a material that sells at a protected price.

mentioned) to the United States with Mr. Mosely. They indicate a general doubling of English wages; but they appear to have regard chiefly to New York, and to take no account of the enormous rents there.

[1] R. E. Thompson, *Elements of Political Economy*, 3rd ed. pp. 216, 364. It is not to be supposed that American protectionists in general subscribe to these views. After all (p. 364), Prof. Thompson demands subsidies to revive the sailoring business in the States.

PART V

THE PROTECTIONIST CASE

CHAPTER XV

PROTECTIONIST HALLUCINATIONS

COMING anew to the question of *principles*, we have first to deal with the inveterate protectionist delusion as to excess of imports over exports. It is relatively as ancient in economics as the geocentric illusion in astronomy. All the mercantilist literature of the seventeenth and eighteenth centuries is penetrated with the conviction that a nation which imports more goods than it exports is being ruined in the process. The difference in market values, it is taken for granted, can be paid for only in bullion, and that, from the bullionist's point of view, means destruction. There are few more depressing aspects of the evolution of culture and science than the protracted reign of this primeval error. To this day it holds its ground, and much of the polemic of present-day protectionists is unintelligible save as proceeding upon it. Many, including even public men, such as the late Mr. Seddon, ostensibly hold the absurd belief that an excess of imports is paid for annually *in gold* at the rate of "160 millions of golden sovereigns."[1]

[1] The American protectionist economist, Professor R. E. Thompson, similarly asserts that American payments to other countries in the period of low protection were chiefly made in gold (*Political Economy*, 3rd ed. p. 356).

One such payment would strip Britain of sovereigns once for all. Professor W. J. Ashley [1] imprudently suggests that "there is some little excuse even for the much ridiculed recent remark of a Colonial Premier: circumstances might really arise in which England paid (for a time) for her surplus of imports with 'golden sovereigns.' But," he adds, "there is very good reason for believing that England has not yet done so; and this is the same reason as convinced Hume, viz., that the excess of imports has been incomparably greater than the whole coinage of the country." How there here arises *any* excuse, however little, for the assertion that 160 millions of golden sovereigns *are* paid away annually it is impossible to discover. Professor Ashley's "for a time" may mean anything or nothing; and he may be defied to reduce his proposition to precision without leaving it insignificant. While Professor Ashley thus sets up a possible mystification, the average protectionist appears to cling to the old delusion. As is remarked by Mr. L. L. Price: "It is scarcely possible to read a protectionist pamphlet, however able and well informed, without finding the old mistakes about money making their reappearance in some cunning disguise." [2]

If the earnest beginner in economic science is concerned to cross this its *pons asinorum*, he may do so by aid of the bald facts of bullion imports and exports. A reference to the official figures of exports and imports of gold and silver will reveal the fact that they fluctuate by a few millions, the import generally exceeding the export. Gold is, in fact, imported or exported according as bank rates make either course profitable to the money-dealers.

But the subject ought to be understood in terms of the actual sequences of commerce, and it may be at once noted that the figures of exports and imports of goods are somewhat misleading, *prima facie*. Exports are entered at their value "free on board" (f.o.b.), whereas their selling value in the receiving country will include not only the cost of freight and insurance, but the intermediate traders' profits on their handling. Those profits and costs will be represented in the

[1] *The Tariff Problem*, p. 23.
[2] *Economic Science and Practice*, 1896, p. 293.

returning imports, which are entered with their freight and insurance cost added. Yet further, ships built for foreigners were not included in the figures of exports before 1899, and are accordingly often excluded still in comparisons of subsequent with previous years. Above all, the figures of our total imports include much that comes for re-exportation; whereas the re-exported goods figure in separate returns. When, therefore, we appear as exporting in 1902 £277,000,000 and importing £528,000,000, we have to remember that the excess includes

1. Value of ships built in Britain for foreigners (5¾ millions);
2. Profit of traders on f.o.b. prices;
3. Payment for freights both ways in respect of work done by British ships.
4. Cost of insurance both ways when it is undertaken in Britain.

Further, as all payments between nations are substantially made in goods, we receive in imports,

5. Interest on British investments abroad;
6. Profits from British commercial establishments abroad; and
7. Pensions due to retired Anglo-Indians from India.

Finally, we have to add to our exports £66,000,000 of re-exported goods, making our total exports (with ships) £348,000,000, or else to deduct £66,000,000 from our total of imports. The "excess" is thus much reduced.

But all forms of "excess," however arising, are in the nature of pure gain or surplus to the nation at large, inasmuch as they mean increased supply and lowered prices of imported goods and foods. If, indeed, the receiving country has no mineral resources, and the economic rent in town and country is not taxed by the State, or the proceeds productively employed, the result may be for a time an increase alike of millionaires and of paupers. In such a case the true remedy would be, not Protection, which would only make matters worse, but a system of sound taxation and municipally-promoted building. But apart from such a state of misgovernment as that last described, the only case in which

an excess of imports can in any way tend to a nation's disadvantage is that in which imports represent foreign capital entering for investment. If the investments pay, the result will be increase of exports, with a relative decline in imports. In such a case protectionists would infer improvement in trade, whereas there would really be beginning a process of virtual tribute-paying. Such a process *may* conceivably have begun in respect of American investments in Britain, though for this there is no evidence whatever.[1] In that case protectionists may be gratified ere long by an increase of British exports to America, and a fall in our imports thence. They will, however, be rejoicing over a process in which their own country is the loser, inasmuch as the lessened imports of food will mean raised prices (with or without tariffs), while the increased exports will relatively decline in value. The thing they profess to dread would produce the very results they avowedly desire, so little do they understand their problem. Hitherto the United States has in large measure been enrich ing other countries out of her great natural resources, wastefully exploited through protectionism.[2] Britain can much less afford such a drain.

The protectionist hallucination has gone so far in some quarters that the imports which represent interest on our foreign investments are objected to[3] as "giving no work in this country." A little reflection will show (1) that they are economically equivalent to a spontaneous yield of new fruits, foods, and goods, by our own soil; and (2) that they nevertheless do employ labour from the moment they are set in motion. On the protectionist principle, the manna said to

[1] An assertion to this effect was made by the protectionists of twenty years ago (Farrer, *Free Trade and Fair Trade*, ed. 1886, pp. 11, 81), and in that case it was certainly mistaken. And Mr. Balfour rejects it now.

[2] Mr. Ewing Matheson, in his valuable pamphlet on *Foreign Exchange* in the tariff connection (Spon, 4th ed., 1905), meets the fallacy of Mr. Bonar Law by stating that "profit, and not bankruptcy," accrues to America as well as to England (p. 40). Elsewhere, however, he rightly notes (pp. 38, 44) that we, and not the protectionist countries, make a net gain; that the United States prosper by natural resources, and not by exchanges; and that Germany, in so far as her exports have exceeded her imports, has been "living on her own vitals."

[3] *E.g.*, by Mr. Samuel Storey.

have been bestowed on the children of Israel in the wilderness would have been deleterious to industry. Were such a saleable supernatural food, however, to fall on any given area to-day, that area would promptly rise in value, and the produce would speedily be owned by a syndicate, which would employ labour (1) to collect, store, and transport it; and (2) to build barns for storage; while (3) other labour would be stimulated by the raised demand of the labourers thus advantaged.

That the same principle holds in respect of all imports may easily be seen by noting what would happen if an individual Briton who has invested £5000 abroad should receive his annual interest in the shape of a shipload of oranges. For orangeless Britain, that is so much "manna." The recipient, however, must employ labour to unload his oranges, to store them, and to transport them to the shops, where labour is employed in selling them. Supposing the whole procedure to be carried out by way of barter, the dockers and carters would be paid in oranges, and the shopkeepers would pay for the oranges with other goods; or the individual buyers would pay either to the consignee of the cargo or to the shopkeepers in boots, hats, clothes, and so forth. By the intermediation of money, equivalent exchanges do take place all round. At every step labour is evoked and paid for. This is indeed not the ideal way of promoting a nation's industry, inasmuch as it conserves a large idle class; but when the only proposed alternative is Protection, it is relatively beneficent, inasmuch as it actually does create employment. The only limit to perpetual employment on these lines is the normal need to check consumption by saving money for investment. But this drawback in turn (which is little realised by politicians) is not in the slightest degree lessened by Protection, which would only hasten the arrest of demand. On the protectionist principle, the strictly logical course would be to throw the foreign oranges into the sea and encourage home capitalists to grow oranges under glass, thereby employing some labour in the most uneconomical way in order to spite the foreigner, and checking the easy employment of much more labour on the line of spontaneous

exchange. On this line the protectionist case ends in the conclusion that a good harvest is a calamity, inasmuch as more food is produced than in a bad year, with no greater expenditure of labour.

On the protectionist principle, again, any country which exports more than it imports must be for that reason prosperous, since labour is needed to work up the exports, and the balance is on that side. Two notable countries are in this position, India and the United States, one nearly the poorest country in the world, the other perhaps the richest. Obviously the excess of exports over imports cannot be the cause of both the poverty and the wealth. The simple solution is that India, the physically poor country, is further impoverished by the annual British drain on her fiscal resources, while the rich United States, exporting chiefly from its great annual *surplus* of food and raw material, has a great home industry, and remains relatively rich while paying away as interest on foreign investments, and as a result of Protection, great masses of real wealth which are annually reproduced. In fine, if mere exports, and not imports, be the measure of national wealth, the proper course is not to check imports but to pay bounties on all exports. It would really be the cheaper course, from the consumer's point of view. Until it is realised that exports are to be desired *only for what they bring in*, and that imports are the real measure of gain, all reasoning on trade is but a series of fallacies; and very few tariffists do realise it.

Another inveterate protectionist hallucination is the belief that our exports to any nation represent the total trade we do as against our imports from it. Most of the writers on the protectionist side appear to be unaware of the elementary fact that international trade is to a large extent roundabout, the differences as between nation and nation being balanced by circular exchanges, settled by an international circulation of bills of exchange. From free-trading Holland, for instance, in the years 1894-98, we imported on an average about £28,000,000, exporting to her in return on an average only £8,000,000; so that even when we make freight allowances the excess of imports is very great. With Belgium, which

has low tariffs, our trade is in similar case, the excess of imports being, however, somewhat less. But in both of these cases, as in others, the excess must in the nature of things be balanced by (*a*) remittances of interest made to us *through* those countries, and (*b*) British exports to other countries which directly or mediately trade with them. It is for such reasons that we export to India, China, Brazil, Italy, Turkey, Japan, Java, Foreign West and East Africa, Austria, Uruguay, Mexico, Venezuela, Persia, and other countries more than we import thence.

When this is recognised, it will be seen that the main plea of Chamberlainite protectionism proceeds on a vast misconception. It is constantly assumed that our exports to India and our colonies are the direct return for our imports thence, whereas they are to an indefinite extent equivalents for imports from other countries which trade with India and our colonies. What Mr. Chamberlain takes for inter-imperial trade is in large part international trade. What is more, much of our export to the colonies stands for capital, a good deal of it destined to be lost, much of it to remain colonial. Yet even so qualified a controversialist as Professor Ashley in effect recognises neither export of capital nor circular trade.

Referring to the small number of whites in our "possessions," he claims to turn the tables on those who had stressed this, by saying, "The surprising thing is that so few should have bought from us so much."[1] The "so much" (£105,000,000) includes £35,000,000 sent to British India, with its population of 294,000,000. That export, as against an import of £27,000,000, might have made obvious to an economist, or even to an imperialist, if he could but remember the existence of India, the element of extra-imperial exchange involved; and might have suggested similar and other elements in the export to the colonies. But even in noting that "during the last forty years the export of British products, to foreign countries on the one hand and to British colonies and possessions on the other, has grown in much the same proportion," Professor Ashley draws all inferences save the right one. When we have exported to Natal goods worth

[1] *Tariff Problem*, p. 141.

£8,284,691, and get back only goods worth £530,138, he not only supposes the eight millions' worth of goods to have been "purchased" by the Natal population[1]—when in reality most of it was either war material or capital for Johannesburg, or else provision for restocking the Transvaal,—but treats the imaginary transaction as a profitable one in itself, apart from any roundabout compensation. There can come no sound prescription for imperial trade from imperialists who thus misconceive alike trade and empire.

The breakdown of the protectionist argument thus far forces some comparatively candid disputants to another theory—namely, that our "excess of imports" is being annually paid for by an export of *capital securities* (stocks, bonds, etc.), which do not appear in the trade statistics. This is the contention of Mr. G. Byng,[2] from whom Mr. Chamberlain appears to have taken the majority of his ideas, albeit he destroys one of Mr. Byng's central theses by an inconsiderate allegation of his own. The sole difficulty in dealing with Mr. Byng's doctrine as to exports of scrip is to gather at what time he asserts the drain to have begun. As he shows, our imports of goods have exceeded our exports in an almost continuously increasing degree ever since free trade began, the surplus being all along described by him as an "adverse trade balance." At the outset of his treatise, however, Mr. Byng represents that we had nothing but advantage from free trade from 1846 to 1875; and an exact balance of advantage and disadvantage from 1876 to 1900; since which year we are reaping unalloyed disadvantage, with the predicted result of a total cessation of trade about 1912 in the event of our not adopting Protection.

It is in some aspects a pleasingly symmetrical thesis; but inasmuch as it *implies* a continuous export of our securities since 1846 at least, while Mr. Byng explicitly alleges (and this on the bare authority of an unnamed "old-established stockbroker") only an export beginning within the past twenty years, the symmetry is confined to the surface. In

[1] *Tariff Problem*, p. 144. The second edition makes no change.

[2] *Protection: the Views of a Manufacturer*, Eyre and Spottiswoode, 1901, p. 94 sq. See above, p. 209, note, and below, p. 215.

any case, it suffices to ask Mr. Byng how, when all our securities are going abroad, and we thus stand bound to receive much less interest from abroad than formerly, and to pay increasing sums in interest every year, we can possibly go on importing an ever-increasing mass of goods, without exporting goods in return? At what point, if ever, are our imports going to decline? When all our securities are gone, and we can buy no imports, must we not perforce export more and more goods to pay the interest we owe? In which case, will not his ideal of multiplication of exports and cessation of imports be happily realised? Where then, for him, is the harm?

CHAPTER XVI

THE ARGUMENT FOR RETALIATION

UNFORTUNATELY protectionists are able, now as in the past, to trade upon blind passions; and they are content, after every one of their economic arguments has been answered, to repeat the mere angry cry of retaliation. "Hit back," "don't take it lying down," "treat them as they treat us"—such are the watchwords with which tariffists spread the gospel of Imperial Unity, not reflecting that the very colonies to which they ask us to give a preference "hit" us all the time.

It lies on the face of the case that such appeals are made because it is felt that no others will avail. To tell a man that you are proposing to him a highly profitable course of action, as against one which is ruining him, and in the same breath to seek to put him in a rage, is to exhibit a partial consciousness that the first proposition is false. Resentment is not needed to make a business man choose a gainful policy as against a losing one. Mr. Balfour, avowing that the policy of protectionist countries is "doubtless costly to them," is content to appeal rather to fear than to anger—fear of a possible decline of prosperity in the future after half a century of gainful free trade—while admitting that "both the total wealth and the diffused well-being of the country are greater than they have ever been. We are not only rich and prosperous in appearance, but also, I believe, in reality. I can find no evidence that we are 'living on our capital.'"[1] As

[1] *Economic Notes*, p. 28.

against alike the appeal to resentment and the appeal to fear, it is the business of rational men to weigh the proposed policy on its merits, economical, political, and even sentimental.

To extract any coherent argument from Mr. Balfour's reasoning is impossible. He admits that even a country with vast natural resources "would no doubt suffer some economic loss" from diminution of exports; and he goes on to say that such a country as our own, "if it found itself confronted with a universal system of augmenting tariffs," would be not only "incomparably worse off" but "worse off than it would have been had it never adopted the free trade policy"; and this because, "while large imports are a vital necessity, the exports required to pay for them are not of a kind which other nations—all, by hypothesis, protectionist—are obliged to take."[1] Now, as Mr. Balfour calls for Protection, he is proposing a course which (save in one contingency) must on his own showing lessen exports, inasmuch as it will in his opinion lessen imports to begin with. The one conceivable cause to the contrary would be a decision of the protectionist countries to lower their tariffs when we put one on. But Mr. Balfour goes on to argue that though it would be *obviously* against the interests of foreign protectionist countries to cut down their own export trade by lessening our buying power, they would not see it! "However sound be the economic doctrine, . . . it is not one which will easily appeal to protectionists. They would not be protectionists if it did."[2] And again: "If argument failed before powerful vested interests were created, it is hardly likely to be effective now."[3] Then from Mr. Balfour's point of view there is little or no hope that the foreigners will lower their tariffs. It is true that all the while an alleged decline in *our* exports is the very reason he gives for turning protectionist himself—the very reason that is urged by his fellow-protectionists for their policy. But it is not our business to find a reconciliation between Mr. Balfour's self-contradictions. What we have here to note is that while he thus avowedly does not expect foreign protectionists to lower their tariffs when we import less from them, because the argument "is not one which easily appeals to

[2] *Economic Notes*, pp. 12-13. [3] *Id.* p. 14. [4] *Id.* p. 30.

them," he finally tells us that this very argument is an inducement "*which they thoroughly understand*,"[1] and that therefore we are to check their exports to us by putting on retaliatory duties!

In the gift of self-contradiction, Mr. Balfour must be admitted to be Mr. Chamberlain's equal, perhaps his superior. Probably no other modern statesman, certainly none with Mr. Balfour's repute for intelligence, ever put forward in justification of a policy such a series of self-stultifications as we have been considering. Having taken note of the confusion, we can but put it aside for what it is, and go on to ask whether there are *any* grounds on which we may expect foreign protectionists to lower their tariffs if we put one on. On the widest survey, there is none. As Mr. Balfour and Mr. Chamberlain both avow, they are proposing "to do to foreign nations what they *always* do to each other." In other words, foreign nations (the protectionist nations, that is) simply go on retaliating, go on raising their tariffs against each other; and we are to join in the process. On this view the case is hopeless. It is true that there are growing movements for free trade in many if not in all protectionist countries. The German Socialists, in particular, are for the most part determined free-traders; and ere long they may carry their point. But in the meantime there is not the least reason to suppose that our resort to a tariff would help them: on the contrary, it would be cited by the German protectionists as a proof that all trading countries now realise the rightness of Protection.

While Mr. Balfour thus actually gives reasons why protectionist countries should not be expected to lower their tariffs in the event of our setting up one against them, he and his followers are alike committed to the pretence that a tariff *is* a means of bringing down other tariffs. They proceed on the simple assumption that it ought to be, in disregard of all experience. "A means of negotiation" is the common expression. Now, a tariff might be such an instrument as between two Governments both of which at heart desired free trade, as Mr. Balfour and Mr. Chamberlain profess to do,

[1] *Economic Notes*, p. 30.

but both of which were hampered by their protectionists in the legislature. Huskisson, as we saw, used the retaliatory action of the Prussian Government in 1822 as a pretext for modifying in 1825 the Navigation Act and lessening the duties against Prussia. But Huskisson, we know, was a free-trader; and according to the Anglo-German economic historian Prince Smith,[1] the British Government actually suggested to the Prussian Ministry the retaliatory action which the latter, being also inclined to free trade, was loth to take. Whether or not this is true, it is clear that both Governments *were* disposed towards free trade, and the success of the retaliation in that particular case is the kind of apparent exception which, being explained, leaves the rule intact.

All experience goes to show that, where a strong disposition to protectionism exists, retaliatory duties only in the case of a few articles ever have any remedial effect. It was this that happened in 1697-1700, when Flanders retaliated on the English prohibition of Flemish lace by excluding English woollens; and in that case the woollen trade simply overrode the claim of the English lace industry in a fashion which to-day would arouse a storm in any protectionist country. Strong interests do not yield their prey; but in England to-day one protected trade would hardly dare in this fashion to sacrifice others which had been in alliance with them. The historic rule is, obstinacy in evil. Peel, after his tariff reductions of 1842, strove for years—Gladstone being his Minister—to induce the protectionist Governments of his day to come to terms, but had to admit a total failure. It was this failure that convinced him of the futility of tariffs as "instruments of negotiation." He had left on the duties on wine and brandy for that express purpose, and he could gain nothing by them. "Wearied with our long and unavailing efforts to enter into satisfactory commercial treaties with other countries," he declared in 1846, "we have resolved at length to consult our own interests, and not to punish other countries, for the wrong they do us in continuing their high tariffs upon the importation of our products and manufactures, by continuing high duties ourselves." "The best way to fight

[1] Cited by Prof. H. Dietzel, *Retaliatory Duties*, Eng. trans. 1906, pp. 29-30.

hostile tariffs is with free imports." He actually established free trade in Britain in the midst of a war of tariffs throughout Europe[1]; and the only countries which at the same time moved in a free trade direction were Holland and the United States, moved not by pressure but by goodwill.

The falsity of the theory of retaliation is further demonstrated by the simple fact of the prevalence of protectionism. Tariffists tell us in one breath that all the world has seen good reason to turn protectionist, and in the next that another tariff will tend to make them turn to free trade. If ninety-nine mutually opposing tariffs have no reciprocally repressive effect, why should a hundredth alter the situation? By which proposition will the tariffist stand? Do the other countries want free trade, or do they not? If they do, why do they fight each other with tariffs, generation after generation? If they do not, how should our tariff coerce them all, any more than they have coerced each other?

As we have seen, tariffs have been generally resorted to in the outset not by way of resentment against and effort to beat down other tariffs, but primarily for revenue purposes; and they have been maintained and heightened by the sinister interests which they generate and strengthen. Even a fresh resort to free trade by hitherto protectionist countries would not induce others to follow which were ruled by protectionists, no matter how loudly the latter might have declared that their tariffs were merely retaliations. The trade interests in the United States have never scrupled to turn their backs on their own pledges when there was any talk of taking off a duty which had been expressly granted as a temporary aid. As Dietzel remarks: "The good example set in 1879 by England, Holland, and Denmark—that is, by a number of countries of the highest importance for our [*i.e.* German] foreign commerce—did not cause our legislative authorities to remain faithful to the '*régime* Delbrück': as little likelihood is there that a future adoption of the free trade principle by Russia and the United States would induce it to pursue the same course."[2]

[1] "France, Belgium, and Germany," he wrote to Croker in 1842, "are closing their doors against us."—*Croker's Correspondence*, 1884, ii. 383.

[2] Work cited, p. 13.

Caprivi, who understood the principles of free trade, did succeed in introducing, from 1891 onwards, a system of low-tariff commercial treaties, being convinced that the heightening tariff policy which had been pursued in Germany from 1879 had injured German trade. The reason of his success in conciliating some other continental Powers was that Russia and the United States had greatly raised their tariffs, and the other States were disposed to recoil from a similar policy. He was actually coming down from a high tariff to a lower, not forcing anybody to lower theirs first. In this case a potential free-trader negotiated with States inclined to lower tariffs. In the case of Russia, however, there ensued a tariff war, and only after it had caused vast losses did the two countries come to terms. Even in this case the solution was due to the circumstance that Germany specially needed Russian rye and flax, and that Russia specially needed the German market for those articles.[1]

Apart from cases in which such wasteful tariff wars end in agreements which might have been come to at the outset, there is hardly an instance on record in modern times in which a single retaliation, or the threat of it, has had a salutary effect. In the case of Brazil's threat to tax German manufactures because of a raised German duty on coffee, Germany yielded because the tax on coffee was not protective, and was besides unwelcome to German consumers in general. Certainly the tariff wars are far more numerous than the prompt pacifications. And those wars are in themselves the most emphatic condemnation of protectionism. That which was waged between France and Italy from 1889 to 1898 is estimated to have caused to the two countries a total loss of £120,000,000. In the ten years French imports of Italian goods fell off by 57½ per cent, and Italian imports of French goods by 50 per cent; and though there was a recovery in 1899 it has not since been maintained. Each country has permanently injured its trade with the other. In the years 1893-95, again, France and Switzerland waged a similar war; and here again there has been a permanent loss, besides the

[1] Dietzel, ch. i.

fall of 45 per cent in exports on the French side, and 35 on the Swiss side, while the struggle lasted.[1]

All the while, Britain is on the "most favoured nation" footing with all Powers save Portugal, whose wines she now taxes rather heavily. To sacrifice this immense advantage on the alleged chance of a gain from "retaliation" which has never been seen to accrue in human experience, would be the extremity of national folly, and only individual self-interest could ever propose it. If, finally, the game of retaliation is to be played with even a semblance of thoroughness, the taxation of imported raw materials is inevitable; and this our tariffists still protest their determination not to attempt. Their theory, then, at this as at so many other points, is divided against itself, and the practical dilemma is in itself sufficient to confound them. To retaliate against the United States we should have to tax cotton, which would ruin our cotton industry; and tobacco, the duty upon which Mr. Chamberlain has promised to lighten—it being indeed heavy enough already. To punish Russia we should have to raise the price of kerosene; and to press Italy we should have to burden our importers of raw and thrown silk. The thesis thrown out in passion will not bear an hour's cool scrutiny.

Before leaving this theme it may be well to notice the use made in recent tariffist propaganda of an ill-considered passage in which J. S. Mill, discussing the effect of tariffs, seems to suggest "retaliation," albeit with a totally different meaning from that of the protectionists who make use of some of his words. In one protectionist[2] pamphlet the proposition that we cannot get reductions of tariff from foreign nations "for nothing," is supported by this simple footnote:—

> A country cannot be expected to renounce the power of taxing foreigners, unless foreigners will in return practise towards itself the same forbearance. The only mode in which a country can save itself from being a loser by the revenue duties imposed by other countries on its commodities, is to impose corresponding revenue duties on theirs.—J. S. MILL.

[1] Board of Trade *Reports on Tariff Wars between certain European States* (Cd. 1938), 1904.

[2] C. A. Vince, *Mr. Chamberlain's Proposals*, 1903, p. 62.

Here the only possible inference for an uninformed reader is that Mill believed import duties fell upon the foreign producers of the taxed articles. Now, Mill held exactly the opposite view. Mr. Vince, like Mr. Chamberlain, selects his quotations (and in this case it can hardly have been by oversight) in entire disregard of the context. After the passage he quotes comes this :—

> Only it must take care that those duties be not so high as to exceed all that remains of the advantage of the trade, and put an end to importation altogether, *causing the article to be either produced at home* or imported from another and a dearer market.

To cause the article to be produced at home is precisely the aim of most protectionists.

Mill's position is to be understood from his previous reasoning. A few paragraphs before that quoted from, he sums up an exposition thus :—

> Those are therefore in the right who maintain that taxes on imports are partly paid by foreigners, *but they are mistaken when they say that it is by the foreign producer.* It is not on the person from whom we buy, but on all those who buy from us, that a portion of *our* custom duties spontaneously falls. *It is the foreign consumer of our exported commodities who is obliged to pay a higher price for them because we maintain revenue duties on foreign goods.*[1]

That is to say, *our* import duties would cause the foreigner to pay more for what he buys from us.

In this opinion Mill was, I think, demonstrably wrong. The truth lies neither in his view nor in that of the protectionists. Mill worked out his argument in terms of pure *a priori* reasoning as to the effect of limitation of import (by raising prices) on reciprocal export. He argues, that is, that if Germany by reason of tariffs imports less from us, she will owe us less, and will consequently send us less, and we shall have to pay more for what she does send us. And *vice versa*. This argument takes no account of Germany's continued *wish to sell to us*, which, as the protectionist so often and so bitterly complains, leads her at times to "dump" upon us below cost

[1] B. v. ch. iv. § 6, near end. People's ed. p. 515.

price. It further ignores the operation of the exchanges, by reason of which, while German drawers of bills on London would have to pay a higher discount because of our lessened sales to Germany, and so *get less* for their exports, our exporters will get a premium for their bills on Germany, and so, without raising their prices, *get more* for their exports, thus being newly advantaged against the German tariff. But whether Mill was right or wrong,[1] it is mere deception to quote him in a sense flatly opposed to his real meaning. Mr. Vince is all the while arguing that *increase of exports* is the grand desideratum. Mill's argument was that we should take a course which would *further diminish* our exports as well as our imports. It is safe to say that such a counsel, once understood, will never be followed by either tariffists or free-traders.

The argument that "the foreign producer" can be made to pay the tax undergoes yet other manipulations. In the "Speakers' Handbook" of the Tariff Reform League[2] there occurs this oracular citation :—

PROF. SENIOR

A part of the taxes received by the Government of one country is often paid by the inhabitants of another.—*Outlines of Political Economy*, p. 184.

This use of Senior is, if possible, even more misleading than the before-noted use of Mill. The sentence quoted is the first in a paragraph in which Senior argues that when England puts a heavy import duty on tea, "a portion of our duty on tea is, in fact, paid by the inhabitants of the tea-

[1] It will be observed that in the section cited Mill is reproducing parts of his early essay on International Commerce, and that in it he ostensibly contradicts another of his dicta. There he asserts that "a tax on imported commodities, when it really operates as a tax, and not as a prohibition either total or partial, almost always falls in part upon the foreigners who consume our goods." In the second section of the same chapter he affirms that "there are few cases in which" a tax on imports does not raise the value and price of a commodity by "more than" the amount of the tax. The passages are to be reconciled only by realising that in the one reprinted from his early essay he is driving at another point than that of the effect of an import duty on prices.

[2] *A Short Handbook for Speakers*, etc., 4th ed. 1907, p. 157.

growing districts of China," inasmuch as, if we did *not* put a duty, the increased demand would cause a rise of price in China which would "have a tendency to raise the rent of land and the wages of labour in the tea-growing districts." In passing, it may be remarked that the effect upon wages would depend upon whether new soil was taken into cultivation, or whether other crops were given up in favour of tea-growing. In the latter case wages might even fall if tea-growing required less labour than the other culture, as sometimes happens where pasture supersedes grain-growing. But taking Senior's proposition to be true, the only "retaliation" it can be made to justify would be one deliberately planned to impoverish foreign landlords and foreign workmen on the score that their Government had impoverished our manufacturers and workmen by lessening the possible demand for their products. On the question whether such retaliation could do us any good, Senior would, of course, reply in the negative, save in so far as he might conceivably believe in the power of retaliation to force the foreign Government to reduce his duties. But in the case of its refusal to do so, his whole line of argument commits him to the recognition of the fact that by impoverishing the foreigner we should merely restrict his *power* to buy from us even what he wanted to buy.

This is recognised by Professor Sidgwick, who in turn is exploited by the Tariff Reform League no more ingenuously than they have handled Senior. The "Handbook" cites him thus (italics mine):—

PROF. HENRY SIDGWICK

Unless foreign products are completely excluded by import duties, such duties will partly have the effect of levying a tribute on foreign producers, the amount *and duration* of which may *in certain cases* be considerable."—*Principles of Political Economy*, p. 493.

Sidgwick's argument is, in brief, that a 5 per cent duty on foreign silks may "after a certain interval" cause half the silks consumed by a nation to be produced by native industry, while the price of the whole may rise only 2½ per cent. Then the imported half will yield the State 5 per cent,

while the tax on consumers is only 2½ per cent, "so that *the nation in the aggregate* is at this time losing nothing by protection except the cost of collecting the tax, while a loss equivalent to the whole tax falls on the foreigner." That is to say, what the consumer loses in the extra price which he pays *qua* consumer, he gains *qua* taxpayer. To say nothing of the fact that those who do not buy silk get the gain without bearing any of the counterbalancing loss, this argument overlooks the fact that the rise in price tends (1) to check consumption, and (2) unduly to enrich the silk-manufacturer, until extra capital enters into the trade, when the tendency will be to over-produce for a time, with the result of depressing prices, and so on. But, further, Sidgwick himself admits (3), on the next page, that "the protection given by [nation] A to one branch of her industry may very likely have the secondary effect of inflicting a blow upon another branch." This fatal corollary is of course not quoted by the Tariff Reform League.

Sidgwick's very characteristic handling of the subject of Protection is a warning as to the confusion that may be wrought by what may be termed the non-committal handling of a scientific issue. It is a good instance of the species of academic problem in mechanics in which "the weight of the elephant may be neglected." Beginning in his anxiously detached fashion to discuss the practical issue, he writes (italics mine):—

"I hold . . . that when the matter is considered from the point of view of abstract theory it is easy to show that protection, *under certain not improbable circumstances*, would yield a direct gain to the protecting country; but that from *the difficulty of securing in any actual government sufficient wisdom, strength, and singleness of aim* to introduce protection only so far as it is advantageous to the community and withdraw it inexorably so soon as the public interest requires its withdrawal, it is *practically best*" to tax for revenue only.[1]

That is to say, "under certain not improbable circumstances" there would concur other inevitable circumstances

[1] *Principles of Political Economy*, pp. 485-6.

which would make the totality of the required circumstances improbable in the highest degree! It is "practically best" to adhere to free trade principles because no government can be found wise and good and strong enough to apply protection with that perfect wisdom, goodness, and strength which alone can enable us to raise the price of silk and the profits of our own silkmakers, and at the same time to lower the profits of the foreign silkmaker, without causing loss to "the nation in the aggregate," whatever may be the extra burden on the consumer of silk. And, all the while, even the most perfect wisdom, goodness, and strength in protecting the silk trade would not preclude injury to other trades! *Solvuntur tabulae!*

CHAPTER XVII

THE ARGUMENT FROM "DUMPING"

RECOILING from systematic protectionism, and from the theory of secret export of securities (in which, all the while, there may be some grain of truth, though Mr. Byng cannot draw the proper inference), tariffists fall back on the inviting general principle that Protection is required merely to save us from "dumping"—the selling of foreign goods in our markets nearly at or under cost price[1] by protected foreigners who (while ruining their own home customers by charging them too much) ruin our producers by charging our consumers too little.

As it happens, Mr. Byng puts that thesis also; and whereas he asserts a *constant* or normal practice among foreign producers of dumping goods below cost price in England, Mr. Chamberlain expressly declares that "'dumping' only takes place seriously when the country that has recourse to it is in a state of depression."[2] Then if foreign dumping be now constant or normal, as Mr. Byng alleges, *the protected foreign industries (which, he says, alone dump) are in a constant or normal state of depression.* Thus do protectionists corroborate each other—and themselves. Mr. Chamberlain says that the fact he states "is a curious thing which Mr. Asquith does not seem to appreciate—a curious thing to him, but not to us." It is to be feared that Mr. Chamberlain has ceased

[1] There is, of course, no precise definition of "dumping." Some traders apply the term to every act of competition which lowers their profits.

[2] Speeches, as cited, p. 126.

to "appreciate" either facts or fables; for after upsetting Mr. Byng he reverts to Mr. Byng's theory. He has himself repeatedly asserted that protectionist countries have "prospered enormously," and that their trade goes on expanding while ours is "stagnating." How, then, can they have been so habitually depressed that their dumping, as he alleges, is a serious injury to us? According to his own further exposition, the Germans have "seriously injured" the glass-bottle trade and the wire trade, and "annihilated" the plate-glass trade,[1] they doing all or nearly all the business. That is to say, in virtue of their own continual depression they are continually prosperous!

It seems unnecessary to demonstrate that the facts cannot be as Mr. Chamberlain states, and that a statesman who thus flatly contradicts himself on the most serious commercial issues is unqualified to frame a commercial policy. Having contradicted himself once, Mr. Chamberlain finds his sole solution in contradicting himself yet again. After having declared, as above, that "dumping only takes place seriously when the country that has recourse to it is in a state of depression," he elaborates a fresh argument to the effect that protected countries "can afford to dump because it does not cost them anything. . . . Dumping is not a loss to those foreign countries."[2] Then they will practise it habitually and *ad libitum*. With this argument we shall deal later. Meantime we have to note how the protectionist case, as put by its leading champion,

[1] Speeches, as cited, pp. 157-8. The facts are that exports in plate glass had fallen from £190,000 in 1890 to £108,112 in 1902; and in flint glass from £261,000 to £248,000; while the export of glass bottles and common glass had risen from £433,000 (in 1894, £301,000) to £471,000; and that of "other sorts" from £180,000 to £270,000. Since 1902 the value of the total exports of glass (quantities being in proportion) has risen from £1,097,930 to £1,400,000 in 1907. Plate-glass exports have risen from £108,112 in 1902 to £252,574 in 1907; and other branches have similarly prospered. To "save" such a trade we are invited to burden the population at large. Our total imports of glass wares of all kinds have actually fallen from £3,727,362 in 1903 to £3,048,791 in 1907; and in the first three months of 1908 they have fallen to £921,195, from £1,071,090 in 1906. In one branch of glass manufacture the imports have fallen from £578,000 in 1903 to £16,475 in 1907.

[2] Speech at Cardiff on November 21, 1903. *Daily News* report, November 23.

varied from day to day and from week to week. Converts to such pleading are certainly not procured by argument.

Argument, no doubt, there is from other quarters. Professor Ashley deals at some length with the subject of dumping; and as he is an economist, capable of conducting an argument, he is worth attending to on this as on other topics. But Professor Ashley, who admits freely that dumping is not an American but a British invention, wholly fails to show how Mr. Chamberlain's proposals can bring about what he wants. While bringing some very insufficient evidence to show that American steel and iron producers make it a habit to dump here in order to keep their works going with a large output,[1] he also adduces evidence to show that those producers are able, or ere long will be, to undersell us in ordinary business. He cites[2] from Mr. Guthrie, President of the American Steel Hoop Company, the avowals (1) that the American aim is to dump "not especially in Germany and England, but in their colonies," and (2) that

> the great advantage is the raw material. England's coal price is $4·50 and coke $5·50; our coal price is $1·50 at Pittsburg, our ore costs less, and transportation rates on the lakes are lower than anywhere else in the world.

These figures, certainly, were far from accurate for the date at which they were given; but supposing them to be even approximately so, it is tolerably clear that our iron-producers would be at a disadvantage should the American home demand so far slacken as to let the American producers get far ahead of it. Talk of "dumping" is thus beside the question. Nothing short of an enormously high tariff could avail against a combination of such natural advantage with a policy of under-selling; and what is more, it would be visibly impossible for British producers to compete with the American on ordinary lines in other markets, even those of

[1] It is certain that most American talk of this kind is "bluff," such proclamations having of late years been speedily followed by a wholesale restriction of production. See *The Iron Age*, July 14, 1904. Of 359 furnaces, 171 were blown out.

[2] *Tariff Problem*, pp. 94-5. (The figures seem to be misprints.)

our own colonies. A preference of 33 per cent in the latter would not avail.

As against such competition, the Professor proposes to have the Government tax dumped imports at its discretion —that is, withhold cheap goods from twenty industries to help one The scheme is ill-considered at best; but in the case put it is futile. To be effective for its purpose, the Chamberlain tariff would require to be protectionist pure and simple, not a mere check to dumping; and it would wholly fail to promote exports. At the time at which the question was raised, Canada herself was paying bounties on exports of iron, which were largely dumped in Britain—a circumstance not noted by Mr. Ashley. He, however, fully admits that "if there are any Englishmen so foolish as to suppose that an arrangement can be made whereby *all* English manufacturers will be able to find a market in the colonies, the sooner they are disabused of that notion the better";[1] and while he holds out a significantly faint hope that the colonies may "consent to a *certain slackening* in their manufacturing development,"[2] he does not suggest that they will slacken in developing their output of iron and steel. He even becomes so incoherent as to suggest that the colonies may hold their hand because the manufacturing countries, protectionist and free trading alike, "have not been so brilliantly successful in the social results of their policy as to encourage unlimited imitation"—this when Canada was actually outgoing all other countries in forcing her iron export by means of bounties. The entire argument has thus collapsed.

Professor Ashley's argument was penned nearly five years ago. What has since happened in the way of American

[1] P. 157.

[2] This is all that is now left of the confident expectation which was at first expressed by Mr. Chamberlain (following Sir Vincent Caillard), and which he afterwards denied having ever held out. It will be found in the original reports of his Glasgow speech of October 6, 1903. His words were: "There are many things which you [the colonies] do not now make. . . . Leave them to us, as you have left them hitherto."

This futile appeal was made after Mr. Chamberlain had derided Cobden as having predicted that the United States would "abandon their premature manufactures" if we adopted free trade—a thing Cobden never did. See Appendix.

dumping to justify his forecasts? In the winter of 1907-8 we have seen the United States undergoing the most disastrous collapse of industry that even their population have witnessed within the past twenty years. Has their distressed iron industry relieved itself by dumping upon Britain? No such process having taken place, what is the value of the tariffist vaticinations on the subject?

Let us now come to the final issue.

Either American iron-makers will in future dump systematically all round or they will not. If they do not, the argument from dumping is irrelevant, and that part of the case for British Protection is gone. If they do, it is clear that they must undersell us in foreign markets; and that to keep them out of ours we must impose tariffs which will immensely raise the cost of iron. This would infallibly burden our manufactures all round, and so, instead of helping our export trade, doubly restrict it. Thus, whatever happens, Protection cannot help us; and Professor Ashley, while arguing that there are dangers ahead, makes no attempt to show that it can, save in putting that faint hypothesis of help from colonial markets. The sufficient answer on that head is that the colonies all round will certainly not agree either to pay double prices for their iron, or to restrict their own iron output, for such a trifle as a preference of 2s. per quarter on wheat[1]—a small boon to a single colonial industry. Professor Ashley's exposition has hardly the semblance of relevance to Mr. Chamberlain's policy.

Should such competition arise as he fears, British industry must simply undergo further adjustments, taking advantage, as in the past, of cheap imports to gain in other forms of production. And while Professor Ashley, here diverging widely from Mr. Balfour, asserts an increase of *unskilled* labour, he entirely omits to note that large continuous imports of cheap iron would mean a transition from less skilled to more skilled labour if they were to be utilised at all. He too, in short, fails wholly to erect the argument from dumping into a tenable defence for Protection; and

[1] Roughly about 7 or 8 per cent.

while he escapes the utter self-contradiction of the platform protectionists, he has produced no coherent theory that can bear the test of practice.

On further analysis, the protectionist case again breaks down. Though we hear much of foreign dumping upon Britain, we hear very little of the amount of British dumping upon the protected foreigner, or of protectionists dumping upon each other. Yet the process is as common in any of these directions as in the first. Protected Belgium, for instance, enormously increased her imports of wrought iron and steel in 1900 and 1901, the explanation being that they were dumped by German producers who in a time of depression sought to avert total financial collapse by producing largely and selling at cost prices.[1] The Belgian trade was thus distressed at points, but instead of seeking to raise the tariff it dumped in turn. "The iron and steel industries suffered, not only from local over-production, but from that in the neighbouring countries. A market, however, was found for a large quantity in the United States. The crisis was thus averted, and the end of the year saw a general improvement."[2] Thus Germany jumped the low tariff of Belgium, and Belgium in turn the high tariff of the United States; whose producers, in turn, undertake when necessary to jump all European tariffs as easily as they invade "defenceless" Britain.

Meanwhile, that long-suffering State is not passive. Long after the dumpers had built up high tariffs against her, she dumped upon them precisely as often as the exigencies of trade impelled her producers to that course. A few years ago they were dumping on Canada; and a Canadian woollen manufacturer declared that "the outlook is gloomy. Canadian manufacturers are menaced by conditions" [*i.e.* those of "preference"] "that make it profitable for the British woollen manufacturers to dump their goods in Canada at prices which the home industry simply cannot meet.

[1] Cp. Prof. Smart, *The Return to Protection*, p. 165, and Dawson, *Protection in Germany*, p. 175.

[2] Consular Report, No. 3104, on Belgian Trade in 1902, cited by Prof. Smart.

Canada is being used as a slaughter-market."[1] But Canada had her turn. "In 1901-2 Germany, Holland, and Belgium together landed 78,615 tons of pig-iron on our [*i.e.* Britain's] shores. The United States landed 45,973 tons. Canada, under a direct bounty, landed no less than 103,262 tons."[2]

Obviously, somebody must benefit by these purchases. In the case of pig-iron they simply mean cheap raw material for iron-working industries. Irritated home producers denounce the import as "unfair competition," though it is only an international instance of the common practice of home-traders in competition with each other. In the latter case, however much one side may be annoyed, it does not ask for protective legislation. It is only when "the foreigner" is the source of irritation that infirmity of temper and of understanding combined produce a cry for a tariff. Yet the politicians who trade upon these infirmities assure us (some of them) that they will "never tax raw material." In point of fact it is mainly raw material that is ever dumped upon us. If pig-iron be technically defined as manufactured goods and put under a tariff, the foreign producer could just as well proceed to send us iron ore, even as we send him coals. And when the ore happened to be sold rather cheap, the cry of unfair competition would be raised as of yore, and a tariff demanded as against the foreigner who was displacing British labour.

It would be difficult to indicate a rawer material than hops; yet in March 1908 it was seriously, indeed solemnly, demanded in the British House of Commons that an "emergency" duty should be put upon some particular cargo of hops, fabulous in quantity, that had just been dumped, it was said (in the language of romance), "on the shores of the Thames"; and in May a demonstration was engineered by tariff reformers in London for the purpose of repudiating what had been professedly one of the first principles of their movement. The tariffist view appears to be that every imported cargo of a raw material producible in Britain should be politically scrutinised with a view to an "emergency" tariff—that is, for the maintenance of prices. The party which

[1] Cited by Smart, p. 168. [2] *Id.* p. 169.

most indignantly denies "the right to labour" has united in affirming the right to profit.

All the while, the very argument based upon dumping includes an avowal which is the deadliest condemnation of Protection. The protected producer, we are told, is able to sell to us at a very low price because he makes such a high profit in his home market. Quite so. "The American extorts rack-prices from his fellow-countrymen, and so can afford to dump upon us. Let us then set up a tariff which shall enable our producers to extort rack-prices from *us*, whereupon they will be able to dump upon America or anybody else." Thus dumping is to be met by dumping, and each country will have the wholesome regimen of a concurrence of the highest and lowest prices!—unless each in turn puts on an "emergency" tariff with prohibition clauses. Meanwhile, on the simple question of fact, we learn from the United States, on the very day of a carefully planned (and paid) "hoppers'" demonstration in London, that in the United States the hop industry is hopelessly depressed through over-production, and that a reduction of area, there as in England, is absolutely necessary to save it. Incidentally it is interesting to note that, according to British protectionists, the American hop industry is run on "coolie" and other imported and sweated labour. Such are the profits of Protection!

It might comfort the patriotic tariffist to reflect that, after all, it is probably easier for a free trade country to dump on a protectionist than *vice versa*. The argument has been put thus. A, a free trade country, sells certain goods at the price $100x$. B, a rival country, decides that its producers cannot afford to sell at that price, and puts on a tariff of 25 per cent. Then the price $125x$ only fairly remunerates capital and labour in country B. But A need only sell to B at the price (say) of $97x$ (losing 3 per cent) in order to get under the tariff, while the producer in B, to undersell the producer in A, must lower his prices from 125 to 97, losing 22 per cent. If he is *not* losing to that extent, he is swindling his countrymen. Q.E.D.

On yet another point, further, the terrified protectionist may find comfort if he will but think out his problem. He has

latterly been taught that large protected countries, in virtue of their size and their command of their own market, have an advantage against which it is hopeless to compete—that, namely, of "large-scale production." Let us take a protectionist's statements of the theorem :—

"As a result of the great size and enormous resources of America, all her industries can be conducted on a gigantic scale. In modern mechanical industry this is a vital point, quantity or size being of the very essence of success." "Skill and size . . . are really complements of each other. The greatest skill and the largest size are combined to produce the highest efficiency and the utmost possible cheapness. The large scale, cheapness, and success go together in modern industry." [1]

The logical conclusion of such reasoning appears to be, not merely that Protection is better than free trade, but that the largest protected country can always beat all the others, and that Protection could not save Great Britain, much less Belgium, from industrial ruin at the hands of larger nations. Scale of production being in proportion to population, the United States can produce more cheaply than Germany; and Russia, when she will, more cheaply than either; in which case she will be able to dump them out of the ring. A little reflection will show, however, that the whole thesis is a hallucination. Unless each country is to amalgamate all its productive concerns of any one kind into one, scale of production cannot be in the ratio of population. In Germany there are over 1600 iron foundries. If, then, Sweden should reduce her iron foundries to three or four, she could set up iron production on a larger scale than that of any German foundry!

In point of fact, of course, this kind of thing is impossible everywhere, alike for geographical and for business reasons. Foundries and factories cannot be amalgamated irrespective of the conditions of convenient supply and economical management. The large country will have large *numbers* of producing centres, and its concerns will vary endlessly in size. But experience has also abundantly shown that there is a certain

[1] Kirkup, *Progress and the Fiscal Problem*, pp. 49, 57.

variable limit, dependent on the personal factor, beyond which extension of size in industrial concerns means not increasing cheapness but increasing waste. The best organiser and supervisor can only up to a certain point overcome the obstacles of size and complexity; and the large business at a certain point finds it advisable to practise fission. Thus, once more, the protectionist is the victim of his own nightmare. Even under Socialism each country will have more than one cotton factory.

Meantime, he seeks to scare his countrymen with a picture of "capital leaving the country," based on the fact that a certain number of British houses have set up branch establishments in protected countries in order to get inside their tariffs. The Tariff Reform League publish[1] a list of fifteen British concerns which have set up factories in Germany, America, or Russia; and they ask, "What do you think of a trade policy which compels our manufacturers to give employment and wages to foreign workpeople which would otherwise go to British labour?" Here there is a wilful suppression of the fact that a far greater influx of foreign capital into Britain has taken place precisely in order to gain the advantage of free trade conditions of production. Whoso will may read in a Cobden Club leaflet[2] a list of the "imported" businesses in question; and the slightest inquiry will show that protectionist countries are in an increasing degree resorting to this policy of "planting out," not only in this country but in those of their protectionist rivals. Mr. S. N. D. North, Director of the American Census, thus describes the evolution in the United States:[3]—

A constantly increasing number of our great manufacturing corporations are constructing vast plants abroad to supply their foreign customers, and, of course, they would not do this unless experience proved there was an advantage in it. I have before me a long list of these establishments. It indicates that more than 40,000,000 dollars of American money is now invested in

[1] *Speakers' Handbook*, 4th ed. p. 203.
[2] Leaflet No. 179.
[3] *Annals of the American Academy of Political and Social Science*, Jan. 1900.

European plants devoted to the manufacture of various American specialties, including all descriptions of electric apparatus, sewing machines, belting radiators, shoe machinery, coal-conveying apparatus, steel chains, machine tools, hoisting machinery, boilers, pumps, blowing engines, mining machinery, printing machinery, elevators, match-making machinery, pneumatic tools, and photographic apparatus.

The Western Electric Company of Chicago, Ill., is interested in extensive factories in London, Paris, Antwerp, and Berlin, not all of them carried under the name of that company, but all of them established and controlled by its capital. The General Electric Company has three or four such establishments, and has recently constructed a huge new factory in Rugby, England. The Westinghouse Company has just finished, at Trafford Park, in England, one of the largest electric factories in Europe, employing two or three thousand men, and it has other factories in Havre, France, and St. Petersburg, Russia. The Singer Sewing Machine Company has three large plants in Europe, under its direct control. The Chicago American Tool Company is building a plant at Fraserburgh, near Aberdeen. The Hoe printing-presses are made in London, as is also the American linotype machinery. The Draper Company has recently completed its new factory in Lancashire, to supply the greatest cotton manufacturing district in the world with American fast-running Northrup looms. This list might be extended indefinitely.

As Mr. Russell Rea points out, "it is the very best firms who feel most strongly the attractive force of the free-trade country. It is the largest maker of electric machinery in the world which has come from America to establish itself at Rugby; it is the largest maker of mining machinery in the world which has come from Chicago and San Francisco to start near London; it is the largest sewing-machine maker in the world who has established his immense works at Glasgow."[1]

But the matter does not end there. Protected Germany sends her factories into protected Austria and Russia.

A recognised authority upon the iron industry, Dr. Eugen Moritz, shows in his work, *Eisenindustrie, Zolltarif, und Aussen-*

[1] *Insular Free Trade*, 1908, p. 52.

handel, how, owing to the severe protective measures adopted by other countries in imitation of Germany, industry after industry has been compelled to establish branches abroad. He enumerates seven large iron works which have in this way established as many branches in foreign countries; sixteen machine works which have established twenty-six branches; seven electrical companies which have established twenty branches; seven textile companies which have established ten branches; nine chemical works which have established sixteen branches; and six glass, cement, and other companies which have established nine branches. Tracing, in particular, the effect of foreign Protection upon one large German firm, which has for many years been engaged in the construction of iron and steel rails, he points out how it was compelled to build factories first in Austria-Hungary, and then in Russia, since German material could not be imported into those countries owing to the heavy duties. The result has been that this large firm has had to use a constantly decreasing amount of German material in the execution of its contracts abroad. Up to 1890 only from 5 to 10 per cent of the material it employed was purchased abroad. In 1898 the proportion had grown to 38 per cent, in 1899 to 45 per cent, in 1900 to 50 per cent, and in 1901 to nearly 60 per cent of the firm's entire sales. Protection has, therefore, had the effect of depriving German workpeople, and to a large extent German capital, from producing this material.

Thus far more specialised capital flows from the protected countries to their rivals than has passed from Britain to any of them; and none of them can singly show (apart from loans) such an influx as has taken place in the land of free trade.

On the other hand, the "security" argument, to have any validity, requires the assumption that in the protected country each protected industry will be combined in a trust, since in no other way can any one producer hope to exclude irksome competition at home. Protection thus stimulates trust-formation by taking for granted the impossibility of free competition; and the "security" of the given producer is maintained by alternately bleeding the consumer and ruining, by underselling, the rival producer in his own country. Such a commercial paradise we in Britain are now invited to build up.

CHAPTER XVIII

THE ARGUMENT FROM UNEMPLOYMENT

OUR survey of actual experience in protectionist Britain and in the protectionist countries of to-day has shown clearly enough the falsity of the pretence that tariffs mean "work for all." So patently false is it, indeed, that the more intelligent tariffists repudiate it, both in Parliament and outside. None the less, a tariffist journal in London daily flaunts the falsehood: "Tariff Reform means work for all." And since emigration is pointed to as a proof of industrial failure, it follows that a tariff is to find work not only for the present unemployed but for those who are now emigrating. On votes won by such means the bulk of the tariff party seem to rely. It may be well, then, to add to the historic inquiry an examination of the plea on its economic merits, though this means only exposing afresh the central protectionist fallacy in terms of this particular issue.

The Free Trade principle is that freedom involves the maximum yield to labour, by reason of its economic direction on the most advantageous lines—most advantageous, that is, as to economy in production. It is arguable, of course, that it might be "advantageous" for a rich pastoral and agricultural country to bear special taxation in order to develop variety of handicraft among its population. The free trader's answer is that, given the premiss, by far the better course would be to pay directly for the encouragement of the crafts in question, seeing that protection by import duties invariably (1) develops political corruption, and (2) keeps the protected

industries in a position of desperate dependence on the tariff, which almost no later exertion can shake off. But we are not here concerned with the problems of "new countries," since such no longer exist. We have to consider our own case.

The question is, seeing that taxes on food or manufactured imports, or both, will tend to raise prices, how can the demand for labour thereby permanently increase? In the United States and in Germany there has gone on, under Protection, an exploitation of their large reserve of natural resources. Apart from coal, what resources have we to exploit to any such extent? The protectionist answer is that many articles now imported will under Protection be made at home, native labour being thus employed where formerly it was not. But the excluded articles must be either (*a*) goods now sent hither in payment of British services or as interest on British investments, or (*b*) goods now paid for by exports. In the former case the services or loans in question must, in terms of the argument, go partly unpaid; and the labour formerly employed in distributing and in earning the imported articles now excluded will go unemployed. In the latter case the labour formerly employed in making the goods which used to be exported in payment for the imports will cease. The protectionist replies that it will make the same goods as before in order to pay for the goods now made at home in place of those excluded by import duties. But he here makes the plainly false assumption that the makers of the new goods for home consumption will demand the same goods as were formerly exported to pay for the goods then imported. Obviously they will not. They will demand food and clothing; and the labour thrown out of employment must take to producing these if it is to be employed at all. And how can it? Finally, as the articles now to be made at home will in the terms of the case be dearer than formerly, the demand for them will tend to be less, and thus the whole volume of industry will shrink. How, then, can there be an increased employment for labour? And what of the *export* of our goods, whether to other producing countries or to "neutral markets"? Forgetting his pretence that labour in protectionist countries

is well paid, Mr. Chamberlain tells us that we import sweated goods, with which our better-paid labour cannot compete. If, then, our wages and costs rise still further, how can we, save by an increase in efficiency relatively to foreign producers, compete as before in neutral markets?

Now, increase in our exports has been all along insisted on by the tariffists as essential to a healthy condition of our trade. Mr. Chamberlain and Mr. Balfour, however, seem alike unable to make up their minds as to whether increase of exports is the supremely desirable thing, though both speak in that sense. Mr. Chamberlain condemns the buying of tram-rails from abroad, on the score that the making of them, even if more costly, would have employed British labour. But British labour has actually been employed to make the goods which go to pay for the imported rails; and those exported goods figure as exports; whereas, had the rails been made at home, our exports would have been so much less; and Mr. Chamberlain would have continued to argue that, the less our exports, the worse is our industrial condition. What would he finally have?

This insoluble dilemma is the demonstration of the irrationality of the protectionist case. It is a perpetual oscillation between irreconcilable conceptions. The protectionist argues with Mr. Chamberlain that as population increases we must increase our exports, which presumably means further increase of shipping. Then what imports are we to take in payment of the extra exports and the freights? "Raw material," is the reply. But if the term "raw" is to be defined as strictly as possible, how, in the name of reason, can we hope to import mere raw material in payment for an ever-increasing export of manufactures when the manufactures are worth over twice the raw material, quantity for quantity? If, after importing fifty-five millions' worth of raw cotton and consuming a large quantity we export a hundred millions' worth of finished cotton goods, are we thereafter to import a hundred millions' worth of raw cotton in order to export something like two hundred millions' worth of cotton manufactures; then import that value in raw cotton, to export four hundred millions' worth of cotton goods, and so on *ad*

infinitum? Are we dealing with dreamers or with men of business?

To refuse to be paid at all in partially or wholly manufactured goods is simply to refuse to take full payment for our goods and services, and returns on our foreign investments. To this the argument always comes. On the plea of unemployment we are in effect asked to shut out part of the price paid us for our goods and services, in order that goods to that amount shall be made by native labour. Now, even if we could in that fashion secure for the moment employment for our unemployed—which, we have seen, we certainly cannot—it would be the worst possible way of doing it; for in the process we should be crippling our power to export to either neutral or protected markets, thus making further unemployment inevitable; and we should be enriching inequitably the employers on the pretext of finding wages for their men. An unemployment problem certainly exists; but this is assuredly not the way to deal with it. We should but increase hopelessly the mass of unemployment. And, needless to say, if we contrived to keep up for a year an increase in our exports, we should be emphatically told by our protectionists that whatever unemployment we still had, would be much increased if we should return to free trade! If only the immense increase of exports in the past five years had occurred under Protection, not one protectionist in the country would admit for a moment that the present unemployment was a reason for trying free trade again. They would assert—they would indeed probably believe—that we had to thank Protection for the smallness of the amount of it.

That their specific, on the other hand, would inevitably increase unemployment can be demonstrated upon any line of analysis we may follow. Let us put another concrete case. One of the imports most complained of by protectionists is that of iron in bars or ingots—certainly a manufactured article as compared with raw ore, but equally a raw material for those whose business it is to make iron into tin-plates or into machinery. As is well known, such cheap imports did much to restore to prosperity the tin-plate industry which

was so hard hit by the McKinley Tariff. Similarly, our shipbuilders have secured contracts in virtue of their command of "dumped" German steel; and have even beaten German competitors in engineering contracts on the Continent, through being able to buy German steel cheaper than it is sold to Germans. Still further, we have the case of a firm of shipbuilders *and* makers of steel plates, who, when German steel plates were coming in at prices lower than they could themselves afford to sell them at, bought a supply, and were thereby enabled to lay down and sell a ship at a price at which they could not otherwise have built one. Nottingham lace-makers, again, use as the basis of their silk and linen lace a cotton-net (afterwards chemically removed) which is clearly a manufactured article, and which is imported for the purpose.

To tax imported iron, then, or steel, or cotton-net, is to tax the "raw material" of many important industries; and so with a hundred other imports. The tax will raise the price of the higher manufacture, by way of protecting the home manufacture of the lower; and the net effect will be to force some labour from the higher to the lower industry, and to throw more labour absolutely idle. Nothing is more certain than that rise of price normally checks demand, not only for articles which can readily be dispensed with, like lace, but for all products not absolutely indispensable; and lessened demand means lessened employment.[1] Under Protection the tin-plate factories which have thriven on imported German or other iron will be unable to export as they have done to the United States in the teeth of the tariff; and if some extra employment is obtained for the iron forges, it will be heavily overbalanced by the labour thrown idle through the stoppage of the whole of the exports which now go to pay for imported iron. Imports, once more, mean demand, either (*a*) for exports, or (*b*) for home labour which is the price paid for sharing in the goods imported in payment of freights or interest on investments.

This home trade is habitually ignored—sometimes, as we

[1] J. S. Mill's argument that demand for commodities is not demand for labour is a confusion, now abandoned by nearly all economists.

have seen, condemned—by protectionists, though all the while it is an increase of home trade that they profess to desire. The modern expansion of the building trade, which is one of the most satisfactory features of all, is either ignored or mentioned only to lament that the exporting industries do not expand at the same rate, or that, as at present, it is suffering from lack of work. Mr. Chamberlain insists that we shall make our own watches, rails, and bottles, thus exporting less of other products, and so reducing still further that export trade which he usually takes as the real measure of our industrial prosperity, but on the other hand, it is hoped, increasing our home trade. As a matter of fact the home trade would not be increased: the general demand would fall off with the rise in prices; and many constructive enterprises which are undertaken because prices are low would simply be abandoned.

But Mr. Balfour, on the other hand, avowedly sees nothing desirable in the increase of the home trade. He expressly admitted in 1903 that it was gaining ground proportionally to the then lessened rate of expansion in export trade; and he does not deny, further, that while the larger "staple" industries do not expand as formerly, "this is more than made up for by the variety of goods we now manufacture for the foreign consumer." But, he adds, "*from neither circumstance can I derive much satisfaction.* These are precisely the signs which would accompany the struggle of a Free Trade country so to modify its industries as to pierce the barrier of foreign tariffs." Exactly! And was there ever an idler answer?[1] When such "staple" industries as coal-mining, shipbuilding, and machine-making are found to *increase* their export, Mr. Balfour finds that also an evil! Nothing, apparently, will content him but increased export of cheap cottons and woollens.

For such a position there is neither social nor economic justification. Free modification of industry from staple to new forms means the elevation of labour from simpler to more complex activities—an evolution upwards. When done

[1] *Economic Notes*, p. 21. The rest of Mr. Balfour's answer is beside the case, and indicates a failure to understand the issue.

without injury to consumers or to other industries—as happens under Free Trade, but not under Protection—it is a social gain. And while Mr. Balfour thus recognises and disparages such evolution, other propagandists in Mr. Chamberlain's train are telling the workers that Free Trade means the reduction of industry to the lower forms.

Even Professor Ashley thus argues[1] that our industries are tending to decline from skilled to unskilled forms, offering as his proof (1) the increased exports of coal, clay, and spirits, and (2) the decrease in values of exports of cottons and in quantities of exported woollens, while unable to deny (*a*) the increased *quantities* of cottons (piece goods) exported, and paying no heed to (*b*) the immensely increased home consumption of woollens and other articles of manufacture, or (*c*) the continual increase in shipbuilding, and in the numbers of men employed in and through that great industry. At the same time, when he deals with one of the most skilled industries, that of machine-making, he does it only to deplore, with Mr. Balfour, that in that matter we are enabling foreign nations to compete with us in the *use* of machines, as if *that* were not a less skilled form of industry than the making of them! On the other hand, he takes no note of the obvious tendency of Protection to force the home manufacture of such low-grade articles as cotton-net and pig-iron.

As regards the hardware and cutlery trade, finally, I am unable to reconcile Professor Ashley's figures with those of the Board of Trade. He represents[2] the annual export of "Cutlery and Hardware of British and Irish Manufacture" as falling steadily from £2,508,556 worth in 1882 to £953,695 in 1902. The Statistical Abstract, 1888-1902, on the other hand, gives the export values of hardware and cutlery for 1888 as £3,168,403, against £1,834,481 in 1894, and £2,177,524 in 1902.[3] Here indeed there has been a

[1] *The Tariff Problem*, ch. iv. [2] As cited, p. 82.

[3] It is not clear whether some of these variations are not merely expressions of changes in statistical classification. In 1891 and 1896 over 3¼ millions of manufactured exports figured as "unenumerated." In 1902 the goods under that heading were little over a million. In imports this element of confusion has been still greater.

falling off, beginning before the McKinley Tariff; while from 1897 to 1902 the imports of hardware and cutlery nearly doubled, rising from £710,886 to £1,402,532. But since Professor Ashley wrote, all that has changed. The imports of hardware and cutlery had fallen in 1905 to £1,072,190, and rose only slightly in 1906. And of these imports, be it observed, only £109,652 were of "cutlery" in 1906. On the other hand, the export of cutlery and hardware (including "hollow ware," latterly reckoned separately) has risen to £2,660,904 in 1905 and £3,177,015 in 1907. After sinking from 1891 to 1894, the total exports of cutlery, hardware, implements, and instruments rose from the low-water mark of 1894, £3,338,960, to £5,115,316 in 1905, and £5,938,776 in 1906—nearly 1¾ millions over the figures of 1891. Finally, the condition of the Sheffield workers to-day is immensely better than in the past.[1]

In the same fashion, Professor Ashley deplores the increased export of coal, on the score that "in exporting coal, Great Britain is evidently living on her capital, for it can never be replaced";[2] yet all the while he cites as a discouraging proof of arrested industrial growth the decline —since 1882 in quantity, and since the inflated year 1873 in value—of exports of iron and steel and the simpler manufactures of these[3] (*e.g.* rails) as apart from machinery and ships. Iron is just as much "capital" and just as irreplaceable as coal; and it takes two tons of coal to smelt one ton of iron. Yet in the latter case we are to exult over increased export, though our iron will be done before our coal! To complete the inconsistency, we find the Professor treating the positive "dumping" of American and German iron and steel—an exporting of irreplaceable capital *below cost price*—as symptoms of American and German industrial progress; though at the same time he reluctantly admits that "the iron ore deposits of the United States are not

[1] See the paper of Mr. Callis in *British Industries under Free Trade*, edited by Mr. Harold Cox, 1903.

[2] P. 104. Mr. Ashley does not deal with the fact that more than half of our coal export is destined to fuel our own ships (see the essay of Mr. Thomas, M.P., in *British Industries under Free Trade*, pp. 369-71).

[3] P. 65.

inexhaustible, and that the Steel Corporation is reckoning on their lasting only from 75 to 100 years."[1] The argument seems to be: "Heads, Protection wins; tails, Free Trade loses."

On the other hand, Mr. Byng, heedless of the crowd of new industries that have risen by the help of "dumped' sugar alone, alleges that in this country there has been "no new industry" for twenty years past![2] Thus, wherever we take up the protectionist case we find it riddled by vital contradictions. That increase in the home trade which is the best measure of national prosperity is by one protectionist leader ignored in the act of calling for it, and is by another disparaged as undesirable. The workers in particular will do well to take note that Mr. Balfour cannot "derive much satisfaction" from a multiplication of home industry which means an increased distribution of wealth, though his followers profess to desire to aggrandise the home market. His policy and that of Mr. Chamberlain at least converge clearly at one point—in their disregard of the interests of the masses, and their concern for the interests of the classes. It is hardly necessary to remind working men that any increase in their share of the national produce is to be realised through an expansion of the home trade. For instance, the amount of imported wool retained for home consumption increased from 200,000,000 lbs. in 1874 to 410,000,000 lbs. in 1898; and the home consumption of cotton in a similar proportion; while the population had increased only some 25 per cent. Broadly speaking, the people had more than half as much again of clothing. And this improvement continues.

The more disinterested argument of Professor Ashley yields no better prescription than Mr. Balfour's. His plea for "regulation" of industry would lead logically to Socialism; but instead of a socialistic control in the interests of all he proposes mere protectionism—the subsidising of the few at the cost of the many—without even offering a reasonable proof that Protection will "regulate" the sweated industries of which he desires the restriction.

[1] P. 117. [2] *Protection*, pp. 23, 25, 128.

All the while, those who are proposing to shut out a quantity of our imports in order to have similar goods made at home are proclaiming that they want import duties by way of raising revenue—that is to say, the goods are not to be kept out, but to come in! Thus does the protectionist theory reel and gyrate, flying from pillar to post, doubling, confuting itself, contradicting itself, constant only in con fidence of asseveration.

CHAPTER XIX

THE ARGUMENT FOR REVENUE

It might have been supposed that any adult who argued the problem long enough to carry on a discussion would see that he cannot propose at once to tax the same goods for revenue and for the purpose of preventing their importation. But that is done daily, hourly, by journalists, propagandists, and statesmen so called, in the name and cause of "tariff reform." As there are certain logical limits which those capable of seeing them cannot pass, we must here assume for the argument's sake that the tariffist is proposing only one of two incompatible courses, and is demanding *not* the exclusion of goods in order to make work, but the admission of them under an import duty.

At the outset we have to pause once more over his secondary—or is it primary?—thesis that the desired revenue is to be taken from "the foreigner," not from ourselves. On this head there is even more than the usual difficulty in extracting a meaning from tariffist contradictions. Mr. Balfour and Mr. Chamberlain alike confound confusion; and different performers among their followers explicitly propound contrary doctrines, while professing unqualified devotion to both.

The proposition that import duties will safeguard the home producer from "unfair competition" must mean, if anything, that they will cause a rise in the prices of the given commodities, the home-made article rising by the amount of the tax, or part of it. If, then, the foreigner is

to pay any of the tax, it can only be by way of continuing to undersell or limit the home producer. And if, say, goods which he now sells at 10s. where the home producer wants 11s. are taxed 1s., and he continues to sell them at 10s. (9s. plus the tax), the home producer will be in no way relieved. If, on the other hand, the foreigner simply offers his goods as before, thus enabling the home trader to put up his prices, the foreigner clearly pays no part of the tax. What, then, does the protectionist desire?

The common statement concerning the competition of protectionist countries is, as we saw, that in virtue of their entire command of their own market the foreign producers are able to sell in ours at relatively very low prices. If, then, they could still afford to lower their prices so as to leap our tariff, they will forfeit either the 10 per cent or what part of it may be necessary. In that case we shall receive the amount as public revenue; and if the goods come in sufficient quantity there will be no rise of price, the home producer being still forced to the former low rate. But when, in virtue of foreign bounties on exported sugar, the consumers of this nation were receiving among them a large annual bonus from the foreigner, the process was denounced as "unfair competition," and the last Government entered into the Sugar Convention in order to put a stop to it. How, then, will the protectionist party meet those traders who protest that unfair competition still goes on even under an import duty on the kind of goods they produce? If the foreigner competes unfairly when he undersells them now, will he not be competing just as unfairly if he leaps our tariff? And if he does not leap it, what becomes of the revenue he was to yield us?

Mr. Balfour's latest pronouncement is for a system of (1) small duties, on (2) a great many imported articles, (3) exempting raw materials, and (4) so adjusted that no extra burden shall be laid on the working classes. By this formula he is supposed to have "committed" himself definitely to tariff reform. It is difficult to see how practical men can hope to put such a scheme in operation. The four conditions are plainly incompatible; and Mr. Balfour is perfectly safe.

If the mass of the people are not to be burdened by the extra prices they will have to pay for the newly taxed articles, the duties now levied on other articles must be lightened or removed; and in that case what becomes of the promised additional revenue? If the duties on tea, sugar, and tobacco, for instance, are proportionally reduced, or some of them abolished, the basis of taxation will in no intelligible sense be widened; and the argument for revenue goes by the board. Mr. Balfour's formula is once for all irreconcilable with the thesis that Protection means a source of greatly increased revenue.

There remains the plea once put by Mr. Chamberlain, that a really increased burden in the way of prices will be balanced by increased earnings. At an early stage of the discussion he asserted that a rise in the cost of food would be followed by a rise in wages. Later he explained that under his scheme there would be no rise in the total cost of food.[1] He had virtually promised, also, that the revenue from food taxes should go to providing Old Age Pensions. Now there is to be no such revenue. But wages, he predicts, will still rise, because under his policy there will be more employment.[2] That promise, we have already seen, cannot be fulfilled. Even if employment did somehow increase with raised prices all round, and without any such greatly increased output of raw material as has been possible in the United States and in Germany, their experience has abundantly shown that the rise in costs of living tends to distance the rise in wages. It has done so since Mr. Chamberlain spoke. To tax the worker, then, by new import duties on the promise of a rise in wages, would be sheer imposture.

What appears to be hoped by the majority of protectionists, in their confused way, is that if they can set up a tariff, prices will rise, to the advantage of the home producer, the consumer buying more than ever at higher rates, and that all the while foreign goods enough will come in to yield a considerable revenue. In that event the revenue would be got at the cost of an indefinitely greater amount paid by the home consumer in increased prices for British goods. From this

[1] Speeches, as cited, pp. 37, 39, 98. [2] *Id.* pp. 130, 138, 139.

dilemma there is no rational escape; and to state the case is to condemn, once for all, such a mode of raising revenue. It means a minimum return to the State, with a maximum burden on the average consumer—the negation of sound finance. Even the extra revenue available in the case put would in itself be wastefully won, for the system of small duties on many articles, as was long ago seen by most political financiers, means the maximum loss in cost of collection and prevention of smuggling. And all the while the revenue in question would be trifling in amount relatively to the alleged national needs.[1]

Our protectionists tell us alternately that we are of all nations the most heavily burdened by customs duties,[2] and that protectionist countries are to be envied because of the amount of revenue they receive from their customs.[3] This is but one more of the innumerable double delusions of their creed. Our high revenue from customs is relatively unburdensome, precisely because it is non-protective. It raises no prices save those of the articles actually imported. The import duties of the United States upon manufactures and raw material, and of France and Germany upon both foods and manufactures, raise the *home* prices of all the articles taxed, so that the amount received as customs revenue is but a fraction of the surplus payments made by the consumers. And if, on the other hand, as so many protectionists eagerly and suicidally claim, the revenue of those States from protective customs is really smaller than ours from non-protective, the more absurd is their proposal to make protective customs a large source of revenue for Britain. If, as seems to be implied in their ever-contradictory propaganda, we are to drop our present non-protective customs and substitute a protective set of duties, the result will be an absolute loss of revenue! And yet that loss would coexist with an increased burden upon the mass of the people.

The protectionist argument as to need for revenue is, in

[1] On this see the speech by Mr. Alfred Mond, of March 31, 1908, published by the Free Trade Union.

[2] *One Hundred Points on Tariff Reform*, reprinted from the *Globe*, p. 100.

[3] *Id.* p. 29.

short (if it be possible), a worse argument than those we have already considered. So palpable is the central confusion that, as we have before noted, a number of protectionists disavow the demand for the "broadened basis of taxation," and claim that the essential object of their movement is increase of employment. The two theses are indeed ludicrously incompatible. But that does not prevent their being often used on the same platform by the same propagandist, to the edification of the same dupes.

CHAPTER XX

THE ARGUMENT FOR COLONIAL PREFERENCE

It might be supposed, again, that for so definite a proposition as that of Colonial Preference there would at least be a definite ground, unobscured by contradictions. It was the starting-point in Mr. Chamberlain's crusade, and he might be assumed to have at least a clear reason for his first step. But the fatality of self-contradiction is as plain here as in any other section of the protectionist propaganda. At the outset, the ostensible motive was that of "holding the Empire together." The bold assertion of Sir Vincent Caillard that the Colonies could be led to adopt an ideal of "free trade within the Empire"[1] was known to be too wild a form of kite-flying to be of any use in practical politics; but it was thought possible to trade upon ordinary imperialist psychics to the extent at least of creating a scare. Throughout the war we had been told once a week that no empire ever was so indissolubly united as was ours by "the imperial idea." But almost as soon as the chief exponent of that idea returned from South Africa it began to be heard that without some such cement as a 2s. preference on wheat the great structure was likely to go to pieces. This conception being found to lack plausibility, and to be even a source of irritation to the colonies, who denied having given any justification for it, there was evolved this philosopheme: "Your colonies are increasing their trade with you; foreign countries are not; therefore make new arrangements to lessen your

[1] *Imperial Fiscal Reform*, 1903, pp. 95-8, 125, 144-50, 162, 169, etc.

foreign trade and increase the colonial." Whereupon there arose the twofold perplexity that the facts were not so, and that if they were, the course proposed was the reverse of judicious. If our colonial trade was doing well, and our foreign trade otherwise, why make the effort for betterment precisely where it was least needed?

But the facts are nearly the reverse of what is stated. At any time from 1855 to 1906 our exports to foreign countries have varied between a minimum (in five-year averages) of 62·7 per cent and a maximum of 74·2 per cent of our total exports; while our exports to the colonies in the same period have varied between 25·8 and 37·3 per cent. The latter figure was reached in the period 1900-4, when we were exporting abnormally to South Africa for war and reconstruction purposes. Immediately thereafter there was a decline. In 1905 the proportions were: Exports to foreign countries, 65·3 per cent; to British possessions, 34·7 per cent; in 1907: to foreign countries, 67·8; to British possessions, 32·2. Our colonial exports, then, are apparently reverting to the old levels of 1855-74. The foreign exports, it should be noted, bulk still more largely when we include ships, which have been kept out of the above comparisons because they were not included in the export tables before 1899. Our sales of ships to foreign powers have varied between £8,820,000 in 1899 and £7,901,000 in 1906, being at their lowest in the years of the war and of reconstruction, when the sales to the colonies were: 1900, £832,000; 1901, £455,000; 1902, £1,325,000; 1903, £966,000; 1904, £1,188,000; 1905, £963,000. But in 1906 the sales to the colonies were only £743,000.

Especially illusory will the "colonial expansion" theory be found to be when we note that by far the largest share in our "imperial" trade is that done with India. While our total exports to all the self-governing colonies in 1907 were £64,035,925, those to India alone were £52,134,835. And, notably enough, India is the one "possession" which takes more of our goods than she sends us in return. By the tests of the ordinary protectionist, then, India is the ideal possession, for she takes our manufactures freely, while the self-governing

colonies do their fiscal best to exclude them. Of course, the explanation is that our exports to India go largely in payment of what other countries trading with us owe India for imports thence, whereas our debts to the colonies for their corn and wool and timber are paid partly by exports to other countries trading with them. But that does not affect the answer to the protectionist. On his own principles India is a far more profitable factor in the empire's trade than any colony. To South Africa alone among the colonies in 1907 did we send more (13 millions) than we received (8 millions), the balance in this case being met in whole or in part by diamonds and bullion, or else by circular trade.

If we were to state our trade relation with the self-governing colonies as protectionists are wont to state our relation with other protected countries, it would run thus: "We took in 1907 88 millions' worth of their products; they took only 64 millions' worth of ours. India, on the contrary, takes more of our goods than we take of hers." What is more, our exports to India go on steadily increasing, while those to the self-governing colonies are dwindling or nearly stationary.[1] The figures for the years 1902-6 are:—

Exports to	1902.	1903.	1904.	1905.	1906.	1907.
Colonies .	£60 mil.	£59 mil.	£52 mil.	£52 mil.	£57 mil.	£63 mil.
India .	32 ,,	34 ,,	40 ,,	42 ,,	45 ,,	52 ,,

In the meantime the exports to foreign countries rose thus:—

£174 mil. £179 mil. £188 mil. £216 mil. £254 mil. £288 mil.

There can be only one conclusion. If we are to concern ourselves most about the expanding parts of our trade, it is in the Indian and the foreign that we are mainly interested. Now, with India we have free trade; and while our protectionists go on vaunting the merits of Protection in the case of the colonies, not one man among them, I believe, proposes to set up thoroughgoing Protection in India. In every scheme British cottons are to have friendly treatment: there is to be no free hand to India in the way of protection against British goods. If they are sincere or coherent in their general argu-

[1] It should be noted, however, that the fall from 1902 is to be accounted for in relation to the war.

ment, they must believe that we are exploiting India iniquitously; if they do not believe this, they must hold the colonies to be bent on exploiting us. And it is to the colonies that they propose to offer special terms. It is clear all the while that they cannot give to Indian products the advantage over foreign which they promise to give to colonial. Most of our import of tea is Indian already. They talk of a stimulus to wheat-growing in Canada, but in general say little of the wheat-fields of India, which in 1903, 1904, and 1905 sent us more than did Canada and Australia together. The tariffist *Speakers' Handbook*,[1] indeed, follows Sir Roper Lethbridge in arguing that preference would mean "a vast extension of the wheat-growing industry in Upper India,"[2] while predicting at the same time a no less "vast" extension in Canada. Here the argument has reached the level of legerdemain. The colonies are merely being fooled.

It is conceivable that the protectionist, totally reversing his first thesis, as he is so capable of doing, may finally argue: *If* our export trade with the colonies is dwindling or nearly stationary, is not that a reason why we should enter into a preferential agreement with them, so as to improve it? In that case the answer would be (1) that such an agreement at best, as is seen in the experience of Canada, can do very little to increase our trade as compared with foreign; (2) that the establishment of Colonial Preference would mean the loss of our "most favoured nation" footing with all other protected countries; (3) that to give permanent preference to the colonies is to make an end of the alleged "power of negotiation" with other countries, since we cannot under Preference pretend to offer them any inducement to reduce their tariffs against us; and (4) that in the nature of the case there can thus be no stability in any such arrangement. This latter consideration is ignored with an astonishing persistence. It is notorious that the very small preferences given to our trade by Canada after 1897 aroused great heartburnings, with the result that in 1904, on the bitter complaint of the

[1] 4th ed. p. 131.

[2] Mr. Bonar Law speaks to the same effect. *The Fiscal Question: Five Recent Speeches*, 1908, p. 19.

Canadian woollen manufacturers, the minimum duty on British woollens was raised from 23½ to 30 per cent; while the preference on cordage and twine manufactures was also reduced, and that on British plate glass was entirely withdrawn. The protected colonial interests, it is quite clear, will never maintain a preference which gives any real facilities to British competition in their markets. The recent Australian tariff is a sufficient proof. Offered avowedly as a boon to the mother country, it was so plainly illusory that the manufacturers of Birmingham shouted aloud in indignation at its provisions. While foreign bicycles were to be admitted into Australia under a tax of £5 : 5s., British bicycles were to get in at £5. The plain purpose was to keep out *all* bicycles; and the profession of preference seemed too fantastically futile to find room in a commercial document.

It would be difficult to overstate, meantime, the impolicy of the whole preferential doctrine from the point of view of sane statesmanship. We are asked to set up a policy which would tend to limit the sources of our food-supply to the sections of our own empire, with the result that in any year we might incur the most disastrous shortage. Instead of being able to draw, as now, at once on Europe, South America, the United States, and our "Possessions," we are to check the three former great sources of supply, and put all our eggs, as it were, in the one "imperial" basket. Canadian corn, as it is, depends largely on the United States for transport. Putting aside, however, every question of possible hostilities with the States—though that is the kind of contingency which the protectionist always professes to be taking into account—let us simply consider what would happen in the event of a bad harvest occurring at once in Canada and India after a preferential system had been a few years in effective operation. We should then have thrown out of cultivation great wheat areas in Argentina, Russia, Roumania, and Hungary; and in our need they could not supply us. Rational men will not incur such portentous risks.

It is hardly necessary to comment on the utter nugatoriness of the preferential doctrine from the point of view of that home agriculture which so many protectionists declare

themselves bent upon reviving. Colonial and foreign imports of grain are all one to the home farmer. So gross is the contrast between the programme and much of the platform doctrine that of late the authorities of the Tariff Reform League explicitly propose to put duties on colonial as well as foreign corn, leaving a small preference to the former.[1] But the whole situation as regards the tariffist protection of home agriculture is farcical, and may be dismissed as such. It suffices to sum up the situation on the colonial side of things.

There are two policies before us: one which proposes to tax only manufactured imports (Mr. Balfour's), and one which proposes to tax both food and manufactures (Mr. Chamberlain's). No one in authority proposes to put a tax on "raw material"; and as the bulk of our imports from our colonies is admittedly raw material, it is thus clear that the pretence of seeking primarily to benefit them is partly a deception. Mr. Chamberlain's policy would do nothing for the important Canadian timber trade or the Australian and South African wool trade. Instead, therefore, of securing a sentimental or "imperial" gain it would at once, in the terms of Mr. Chamberlain's own argument, set up a powerful force of disintegration. The colonies, he tells us, will break away if we do not give them a preference: he has given them their cue. Thus the majority of our colonists are in effect told that they are expected to wish to break away, since they are to get no preference. If Mr. Chamberlain's doctrine be true, that majority, seeing only a minority gaining from the British connection, will be newly moved to dissolve that connection. If Mr. Balfour gets his way, there will be no preference even for the minority; in which case Mr. Chamberlain's followers will be in duty bound to denounce him as an empire-wrecker and a Little Englander.

Those of us who reason otherwise than by series of self-contradictions may for the present take leave to assume that if we continue to trade freely the colonies will continue to trade with us very much as they did, save that they will go on developing their iron trade and manufactures. Mr.

[1] The *Speakers' Handbook* of the Tariff Reform League, 4th ed. p. 92.

Chamberlain alleges (falsely) that they are greatly increasing their commerce with us; yet he had officially put it on record that he was thoroughly disappointed with the results of their actually tried preferential tariff in Canada, as well he might be, seeing that alongside of the nominal preference to British goods there was an actual bounty on exports of Canadian iron.

We may be content, then, to do without preferences, knowing that the colonies certainly will not refrain from forcing their own industries for the sake of ours. In an early speech, Mr. Chamberlain in his campaign asked them to do so, with the result that indignant questions were put in the Canadian Legislature. He has accordingly deleted the passage from his collected speeches, and now denies that he said anything of the kind. On this view he has no hope of developing the inter-imperial trade as he professed to hope to do; and Sir Vincent Caillard's assumption of a general tendency towards "free trade within the Empire" remains the most visionary doctrine in the whole debate.

CHAPTER XXI

THE EFFECTS OF PROTECTION ON FOOD PRICES

THERE is another side to the question of Colonial Preference. Dismissing the dream of a sentimental or political gain from taxing food, let us inquire what is the chance of a material gain? If we put a tax of 2s. a quarter on corn, the price will either rise to that extent or not. Mr. Chamberlain says it will not; and he resorts in an obviously haphazard way to the abstract economic argument that import duties are paid by the consumer only in the proportion the taxed produce bears to the total supply. But if the price of wheat does *not* rise by 2s. per quarter, Canadian corn-growers in the terms of the case will not gain 2s. per quarter; so that, in Mr. Chamberlain's own view, even that amount of profit is not to be guaranteed to our colonists! All the while he declines to put *any* tax on raw material, so that he obviously believes such a tax *would* have the effect of raising price. If this would happen with raw material it must certainly happen with food.

The course of tariffist propaganda has, however, been agreeably diversified by the proposition that if only we give a preference of 2s. [latterly proposed to be reduced] to colonial and Indian corn, there will be such a stimulation of agriculture in Canada alone that within ten years' time the Canadian yield of wheat will be enough to supply the whole needs of the mother country, and the price will be made as low, by sheer abundance of supply, as it is under the system of free imports. On the same reasoning, as we have seen,

the output of Indian wheat will have similarly increased, and prices will fall all the more. On that view, the Canadian farmer will have gained less than nothing by preference, having been lured by it into cultivation on such a huge scale that in a good season he will be ruined by the competition of those around him and of Indian growers—a pleasing outcome of the imperial principle of mutual benefaction. Supposing this calculation to be sound, however, why should it not sanction equally a preferential tax on wool? What difference is there in the economics of production as regards wheat and wool under a preferential system? Why should not the production of wool be stimulated like that of wheat? To that question no answer is forthcoming. The assertion as to wheat is made on every tariffist platform, with an assurance that no designs are harboured against raw material; and the student is left to speculate as to how far the tariffist can be supposed to believe in his own doctrine. One is fain to put the pretence aside and come back to the primary economic problem: How will a duty on food affect food prices?

Strictly speaking, the question is one of intensity of demand and supplement of supply. If we tax an imported article which consumers can partly do without, and of which our home product can be readily increased, the price will probably not rise to the full amount of the tax. But corn is of all our imports the most indispensable; and a tax of 2s. per quarter would do nothing to stimulate home supply. In point of fact, despite Mr. Chamberlain's denials and Professor Ashley's arguments, we actually see the continental price of corn at a given moment, as compared with British prices, frequently raised by more than the sum of the tariff,[1] though the leading continental countries all raise much more wheat per head than we do; and Germany relies more upon rye than upon wheat. In the course of 1907 the power of the tariff to raise prices to its full extent was made

[1] For the averages of twenty-five years' prices and duties in Germany, see W. H. Dawson's paper in *Labour and Protection*, edited by Mr. Massingham, 1903, pp. 270-71. The figures for other countries are given in the "Inquiry" Blue Book, pp. 119-26. For a careful statement of the abstract argument cp. J. A. Hobson's essay in *Labour and Protection*, pp. 76-7, and C. A. Pigou's *Riddle of the Tariff*, pp. 77-82.

decisively clear. In Board of Trade figures supplied to the House of Commons the mean price of wheat in England and Wales was 30s. 7d. per quarter, the French price 40s. 7d., and the German price 43s. 10d.[1] The highest Berlin price was 48s. 11d. (October); the highest Paris price 46s. 6d. (July, when the Berlin price was 44s. 10d., and the London price 33s. 3d.); the highest London price 36s. 6d. In September the English average price was 31s. 7d.; the London price 32s. 9d.; while the German average price was 47s., and the Berlin price 48s. 2d. Now, as the French and German duties were all along 12s. 3d. and 11s. 9½d. respectively, it is clear that France, despite her large home supply, at times pays more than the full amount of her duty over the British price, and Germany always more, the difference rising at times to 13s. 3d. for Paris and 15s. 5d. for Berlin. An extra good harvest in France brought down the French price in November and December to only 2s. and 3s. above the London price; and the *later* prices of French bread were, of course, duly cited by tariffists as representing the normal differences between food costs in France and England.

If any doubt should remain anywhere as to the general facts, it may be set at rest by a reference to the *Exposé des motifs* of the German Tariff Law of December 25, 1902, where we read as follows:[2]—

> A means whereby the agricultural interests are enabled to cover their cost of production is to be found, under the given circumstances, by creating a factor which will determine the inland selling price through relative Protective duties. Although this means . . . does not always guarantee remunerative prices, it still brings about generally improved inland rates. Inland prices are raised . . . in proportion to the duties.

The official German tables appended to this statement show the average inland price of rye in the years 1885-87, 1889-91, 1892-95, 1886-89 to have been higher than the free Dantzic price by, as a rule, nearly the amount of the

[1] The London average price was 31s. 6d.; the Liverpool price, 33s. 9d.; Paris, 41s. 1d.; Berlin, 44s. 3d.

[2] I copy the translation given by Mr. George Hicks in the *Daily News* of February 7, 1903.

duty, and the wheat price to have been sometimes higher by a little more than the duty, and seldom by much less. As regards the official comparison of Berlin with London wheat prices in the years 1889-1900 the results are much the same; and the official conclusion is:—

> These tables show that the difference between the inland price and the price of foreign wheat (exclusive of duty) varies according to the amount of duty. It is therefore to be expected that a raising of duties will favourably affect our internal agricultural interests.

We thus know what we might count upon. Seeing that the largest item in our home produce of cereals is not wheat but oats, it may well happen that prices will rise at different rates, wheat probably rising most; and in view of the whole circumstances the chances are that our wheat prices will in general rise to the full amount of the duty, and frequently, when Canadian and Indian harvests are below the average, to a good deal more. Seeing, moreover, that some of Mr. Chamberlain's Birmingham friends talk of a duty of "2s. or 3s." per quarter, we may fairly reckon on a 2s. rise of price. It is frequently asserted by tariffists that the 1s. corn tax of the war years did not raise prices, inasmuch as there was no rise in some districts, and the actual rise in others was inferribly the work of bakers who took the tax as a pretext. But this argument ignores the damning declaration of Mr. Ritchie, the Conservative Chancellor of the Exchequer who took off the tax, to the effect that where there was no rise in price there was a *lowering of quality*. Comment is needless.

Of this increased price the Treasury would receive only the tax laid on non-colonial imported corn. In 1902 we imported about 132 million cwts. of foreign corn (*i.e.* wheat, barley, rye, and oats, excluding maize); and 28 million cwts. of colonial and Indian; and we ourselves in Great Britain and Ireland raised about 158 million cwts. of cereals.[1] On

[1] I follow here the high authority of Mr. L. G. Chiozza Money. Home crops are stated in bushels, and under our medieval system there are still six different bushels. Working out the averages for the different crops, I get about 135,000,000 cwts., but prefer to adopt Mr. Money's figures. On colonial supplies I follow official figures, which differ slightly from his.

such a foreign supply the proposed tax would yield to the revenue £3,300,000; and the colonists and Indian growers would receive a profit of only £700,000; but the consumer would pay in all over £8,000,000 extra; and the balance of £4,000,000 would go *into the pockets of British landlords.* Indeed, even the rise on Indian wheat will go mainly into the pockets of British capitalists; and in the colonies the chief gainers will be the richest farmers and the landlords.

Exactly the same thing will take place with butter, cheese, and eggs (unless in this case the consumption should fall off). Of the quantity consumed by us in 1902, £26,000,000 worth came from foreign countries, and only £7,000,000 from the colonies. A tax of 5 per cent on the foreign supply would yield £1,300,000; and the colonists would get £350,000 of extra profit. But if our own produce of the same articles amounted to the same sum—and it is supposed to be a great deal more—the price of that will rise equally, and the extra £1,650,000 would go to the landlords.

So with the proposed tax on foreign meat. In 1902 we imported £27,000,000 worth from foreign countries, and only £7,500,000 from the colonies. Unless the consumption should fall off—which, of course, is very likely—a 5 per cent tax would yield £1,350,000; and the colonial traders would at most get £375,000 of extra profit. Of our own produce of meat we have no statistics; but, taking it at the low estimate of £45,000,000, we should have to pay £2,250,000 extra for that, to the gain of the landlords.

We say advisedly, the landlords; for the effect of all extra profit in agriculture, under our system of taxation, is simply to enable the landlord to pocket more rent. In Germany the value of land has risen immensely since food protection has raised prices and forced corn-growing.[1] In fine, Mr. Chamberlain is proposing yet another "dole" to the landed interest; this time to the tune of something between £7,000,000 and £10,000,000. The one national offset worth discussing is the possible extension of the pastoral forms of agriculture under the proposed tariff. But an extension

[1] See Herr Gothein's paper in the proceedings of the Free Trade Conference August, 1908. Cobden Club.

which puts all the extra profit into precisely the pockets that receive most at present is not the species of improvement that will be acceptable to a democratic nation. Agriculture must be promoted, and may be promoted, in a more equitable fashion.

As regards, finally, the direct effect of food taxes on the consumers, Mr. Chamberlain's proposal is the most grossly impolitic that has ever been made in modern times. He professes to leave the total burden of taxation on food unchanged inasmuch as he reduces the duties on tea, sugar, coffee, cocoa, and tobacco. It is astounding that it should be necessary to point out that the alleged equalisation can take place only in households where the consumption of the relieved articles is equal to that of those newly burdened. But such an equality is precisely what no wise statesman would seek to secure or preserve. In no workman's family should it take place. By common consent our town populations, and even part of our rural population, are physically degenerating, and the only way to arrest such degeneration is to send people back to the land and to improve housing and feeding. For housing, Mr. Chamberlain's policy will do nothing; as to feeding, it will tend to limit the consumption of bread, butter, cheese, eggs, and meat, and to promote the consumption of tea, coffee, tobacco, and sugar. Of tea and tobacco, if not of coffee, we certainly consume too much already, from the point of view of scientific dietetics.

The one gain would be on sugar, which is an important food for children, and the cheapness of which is important to a whole series of subsidiary industries which Mr. Chamberlain professed himself willing to sacrifice in order to protect the very much smaller industry of sugar-refining. And in view of the outcry which that industry will assuredly make if it fails to receive the protection given to others, we may put it as morally certain that under a protectionist system the import duty on sugar would finally be raised to its former figure, with Mr. Chamberlain's full consent. Meantime, the proposed reduction of the sugar duty has actually been effected by a free trade government! The things left cheaper by a protectionist government, then,

would be precisely those which should be cheapened last, not first. It is astonishing to find that Professor Ashley, who sees in the degeneration of our town-dwellers a reason for "regulating" industry, should see in the cheapening of tea as against the raising of the price of bread an unobjectionable fiscal expedient.[1]

Above all, as regards tobacco, Mr. Chamberlain's plan is nothing short of iniquitous in respect of its incidence on women. Under its operation, the hundreds of thousands of women who support themselves singly, or fatherless children or brothers and sisters in addition, would have to pay more for bread, butter, eggs, and meat; and they will gain nothing from the rebate on tobacco, which in the working classes is almost entirely a man's luxury. Their sole compensation would be a lessened price for tea, of which they had better consume less in any case; for coffee and cocoa, of which they consume little; and for sugar, of which, after all, they might expect to see the price soon raised on them again. As for the pretence that bacon is spared as being "food of the very poor," it is notoriously false. There is almost no article more habitually consumed by the middle class; and to drive the poor from eggs and fresh meat to salted meat is merely to further their physical deterioration.

The whole scheme, in fine, is an unscrupulous return to the aristocratic policy of taxing food, as against the democratic policy of taxing unearned incomes and economic rent. Workmen who vote for it, and workmen's wives who welcome it, must indeed be under a "strong delusion." It is perhaps unnecessary to point out that the stipulation as to bacon, like that concerning maize as a feeding stuff for farmers, is a complete surrender of the pretence that "the foreigner will pay" as regards taxes on food imports. The same surrender is made as regards raw material, in so far as tariffists propose to leave that untaxed. So obvious is the inconsistency in regard to bacon that the Tariff Reform League latterly proposes to tax bacon 5 per cent as well as other kinds of meat.[2] And, in view of the agitation over hops and granite, we may

[1] *Tariff Problem*, pp. 186-94.
[2] *Speakers' Handbook*, 4th ed. p. 92.

expect to see ere long an official withdrawal of the original reservation as to raw materials.

The people of this country have before them in the recent price curves of Germany, France, and the United States an object lesson of the effects of Protection on the costs of food. The former relative cheapness of living in all three countries has disappeared. In the States, the very foods which the country produces most largely—meat and wheat—have grown much dearer within five years; in France, the same process is noted by every British visitor; and in coffee-drinking Germany the majority of the workpeople can no longer afford to use pure coffee, being compelled to resort to cheap substitutes.[1] Even in Holland, where high local taxation used to make costs of living higher than in Germany, the advantages accruing from free food imports and a minute general tariff are such, that in certain cases German manufacturers close to the Dutch frontier arrange to house their workers on the Dutch side.[2] And Dutch wages have risen more than German.

It is beside the case to argue whether coffee substitutes are wholesomer than coffee, nuts than meat, or black bread than white. The essential point is that protectionist policy makes it harder for people everywhere to get what kinds of food they prefer. And there are not wanting precise testimonies that in Germany the result has been injury to health among even the middle classes.[3]

[1] Board of Trade Report on *Cost of Living in German Towns*, Cd. 4032, 1908, pp. 284, 311, 323, 400.

[2] Paper by Dr. A. Heringa, Secretary to the Dutch Free Trade Union, at the Free Trade Conference, London, 1908. Cobden Club.

[3] See the valuable paper of Herr Gothein, same Conference.

CHAPTER XXII

PROTECTIONISM IS PARASITISM

We have already seen in part that every protected industry, in so far as it thrives, does so at the cost of others, and of the nation at large. Only a minority can in any country be protected by tariffs.[1] That is the formula of all Protection; and nowhere is the fact clearer than in regard to that very "dumping" to which our own protectionists now point as a main justification for their doctrine. It is not true indeed that, as Mr. Chamberlain asserts, only protectionist countries "dump," or that it is only free-trading countries that are dumped on. But, in any case, what happens under a policy of protected dumping is that the manufacturers who dump are impoverishing their own countrymen to benefit aliens. It matters not if they also injure some aliens: inevitably they injure their own people, which is simply bled in order to enable them to gain further profit by helping other nations to produce certain articles much more cheaply than the protected country itself can. Whatever some English iron-masters may suffer from the dumping of German iron, German manufacturers suffer much more, while English manufacturers greatly gain. We have noted some cases. Another typical case has been pointed out in a consular

[1] "In the United States, where Protection has been carried to the utmost, the census returns show that not more than one-twentieth of the labour of the country is engaged in protected industries." Henry George, *Protection or Free Trade*, ed. 1903, p. 227. Cp. Hobson, *The Fruits of American Protection*, 1907, pp. 40-42.

report. German producers of tin have been in the habit of dumping tin in Holland till certain German makers of tinned goods can no longer sell them in the Dutch market, and have actually had to transport their works to Holland to be able to compete with the Dutch makers who buy German tin so much cheaper than Germans can at home.

Thus the protected industry is made a mere parasite on those which cannot be protected—and these are always the majority. A peculiarly memorable illustration is that of the American tinplate industry, as forced into existence by the McKinley Tariff of 1890, from 1891 onwards. Sir John Jenkins, one of the chief authorities on the subject, has told[1] how, firstly, the agitation for and announcement of the tariff in advance so raised demand and prices that between October 1890 and July 1891 "the American customers had to pay on account of the prospective establishing of the tinplate industry in their country 6,191,471 dollars, not a cent of which went to the American Treasury." Secondly, when the tariff was in full operation, "out of every 100 dollars paid in the United States in 1892 for tinplates, 45 dollars were paid for tariff"; and by September of that year it was reckoned that the total extra cost to consumers had been 25,000,000 dollars. The effect was that "the wrappers to preserve the farmers' or fishermen's product cost as much as the contents." So desperate was the case that the House of Representatives in 1892 by a large majority passed a Bill reducing the tariff on tinplates from 2·2 cents to 1 cent per lb. But the Senate, the chosen home of class interests, threw the Bill out, refusing to discuss it.

Meantime the damage to other industries went on increasing. The chief "consumers" of tinplates were the sellers of canned fruits and vegetables, whose industry employed in all some two millions of people, as against the 16,000 employed in the tinplate trade. "One of the results of dear tinplates was that millions of bushels of vegetables and fruits were allowed to rot because it did not pay to can

[1] In the *Westminster Gazette*, November 20, 1903, reprinted as a pamphlet by the Cobden Club. Cp. Mr. W. L. Williams's paper in *British Industries under Free Trade*.

them." The new tinplate trade was in fact "a leech sucking the blood of creatures larger and more valuable than itself." At last, in 1894, the Senate had to consent to a reduction of the tariff by 1 per cent per lb. (Wilson Tariff).

By this time, however, the McKinley Tariff had had the effect of greatly expanding the food-canning trade in Central and Southern America, Australia, Tasmania, and New Zealand. In the closing months of 1891 the British export of tinplates to those countries increased by 146,000 boxes; and the trade with them has flourished ever since.

Thus one protected American industry inflicted on other American industries much more damage than it did to the rival British industry, and raised up against those American industries new and permanent rivals, destroying in the process an incalculable amount of real wealth.

The total effect of the McKinley Tariff was to bring about for the commercial life of the United States, in 1896, "the Worst Year on Record." It is customary to ascribe the depression of the latter year to the modifications made in 1894 by the Wilson Tariff; but though that made considerable changes at some points, it was so conservative on the whole, as passed by the Senate, that President Cleveland, who had meant it to be radical, finally refused to sign, though he did not veto it.[1] Meantime, the collapse had begun in 1893, under the McKinley Tariff.[2] The years 1893 and 1896 showed the largest number of business failures in the history of the States; the figures for the first nine months of the latter year being 11,280, an increase over 1895 of 21 per cent, with an increase of 56 per cent in gross liabilities. On the approved method of political

[1] Prof. Percy Ashley, *Modern Tariff History*, 1904, pp. 241-3.

[2] The *Speakers' Handbook* of the Tariff Reform League (1907, p. 159) cites the ingenuous assertion of McKinley in 1896, that in 1892 "Free Trade triumphed before the great tribunal of the American people," and that "three years of dreadful experience" had enabled that tribunal to see things in another light. The Wilson Tariff had been passed only in 1894; it was a mere modification of the existing Protection; and in the financial year 1893-94 the deficit of revenue was 70 million dollars. In 1894-95 it was 43 million; in 1895-96, 25 million; 1896-97, only 18 million. Thus the McKinley Tariff had hit the revenue disastrously; while under the Wilson Tariff it improved, despite the depression in 1896.

quackery, the tariff which had originally done the harm was again raised by the Dingley Tariff Act of 1897, tinplates among other things being catered for! And after all the waste and destruction of wealth thus wrought, Welsh tinplates are to-day exported in large quantities to the States, where they are used as packages for export purposes, the exporters receiving on this score a rebate of 99 per cent of the tariff. It is estimated that with the extra outlay thus caused the United States "could have paid twice over all the cost of erecting the existing tinplate mills, and handsomely pensioned for the full length of their employment every one of the 15,000 people now engaged in the American tinplate industry."

The Welsh industry, on the other hand, certainly suffered heavily—that is, the workers did, the employers having made great profits in the "boom year." Such displacement of labour is truly a serious matter; and we are bound to consider the problem of its scientific treatment. But it is an evil which *Protection could not have cured*, since no protective duty could have set up any extra home demand for tinplates. On the other hand, the unprotected trade so rapidly recovered that in 1902 its total production was already the largest in its whole history.[1] While the American demand fell off, the other foreign demand steadily increased. Above all, the home demand had increased from 2½ million boxes in 1892 to 4½ million boxes in 1902—a result due, among other things, to the greatly improved economy of production in the tinplate mills, of which a smaller number can now produce a larger amount than formerly. In 1890 the total export amounted to 421,797 tons, valued at £6,361,477. In 1907 it stood at 476,860 tons, valued at £6,676,878. And this is the industry which Mr. Chamberlain declared to be one "which we have now lost and cannot recover."[2]

Doubtless there was distress for a time; but there were compensations. In 1890-91 the expectation of the McKinley Tariff had led to the rapid erection of many Welsh mills to meet the temporary demand, and the consequent employment

[1] Statement of Sir John Jenkins. Mr. W. L. Williams (as cited, p. 175) made it only "almost as great as it was in 1891."

[2] *Speeches*, pp. 29-30.

of much extra labour. Warned by their subsequent sufferings, many workers in 1899 refused to leave other employments to return to the tinplate trade when it needed more hands. Thus for those who remained there was the advantage of raised wages—an imperfect compensation for past loss, but still one that only free trade could have obtained for them in the absence of special State provision. In the United States, meanwhile, Protection has totally failed to secure for the workers the steadiness of employment at fair wages which they desire. Not only did industry in general suffer there under the McKinley Tariff as we have seen, but since 1897 there have been more strikes and stoppages of works in the American tinplate industry than in the Welsh.

All the while, the protected American industries in general have lived parasitically on the largest industry of all—the agricultural, which cannot be protected, because it has to sell a great surplus product. Save in the best years, the great mass of the independent agriculturists of the United States live far more poorly, and work even harder, than the artisans in the towns. The misery of the lives of western farmers' wives has been the theme of much literature, their numerous suicides having in many years attracted much distressed attention. On great areas of the land of "the richest country on the earth" the bulk of the population fare about as ill as the poorest agricultural labourers in England; and a succession of a few bad years reduces them to a state of indebtedness from which it takes them many more years to escape.[1] Meantime they have to pay enormous prices for their implements and their clothes, the profit going to the protected native producers of these things—above all to the employers—and to the national revenue, which raises nothing from incomes or economic rent. Protection in America, in short, is as essentially anti-democratic as it was and would be here, though there it is the farmer who is victimised. As it was put by Professor C. S. Walker in 1897, in a discussion

[1] Compare the testimony of Ralph Lane, in *Patriotism under Two Flags*, 1903, pp. 252-6. The present alternative to this poverty-stricken life is that of the great capitalistic farms, as to which see J. Graham Brooks's *Social Unrest*, 1903, pp. 188-9.

before the American Economic Association, from all available statistics "it becomes evident again and again that, deducting rent and interest, the American farmer receives less for his exertions than does the labourer in the factory or the hired man on his farm."[1]

In Canada, in the same way, what the farmers suffer from is not the competition of foreign wheat in our markets but the burden from the duties laid on imported manufactures by their own Government. In our free market they could compete perfectly well if their fellow-colonists would let them. While protectionist statesmen here talk loosely of "the colonies" as being wholly protectionist, there is in Canada as in other colonies a strong party opposed to Protection; and naturally so, seeing that Protection means for the farmers and foresters of Canada the paying of exorbitant prices for every tool, implement, and garment that they buy, while they in turn sell the bulk of their produce in free markets elsewhere. Thus throughout North America the farmers are taxed to support a section of the manufacturers, even as in Britain before 1849 the whole public was taxed to keep up land-rents. So, again, in Italy imported corn is taxed in the interest of the small minority of large landowners, the multitude of small holders having nothing to gain from it;[2] while in France and Germany, where also only a minority of landholders profit, land and capital combine to tax the remainder of the nation.

Yet another instance of protectionist parasitism is furnished by Italy in respect of her sugar industry. The dry Italian climate is less suited than that of more northerly lands to the growth of beetroot; but protectionist politicians have seen fit to set up an Italian sugar-raising industry in imitation of the bounty-fed industries of France and Germany. As it was protected by high import duties, the Italian production of sugar necessarily increased—at a price of popular hardship and wasted power grievous to contemplate. Under simple

[1] *American Economic Association Studies*, 1897, p. 56, cited by Hunter, *Poverty*, p. 61.

[2] Edoardo Giretti, art. "Les résultats du droit sur le blé en Italie," in the *Journal des Economistes*, août 15, 1905.

Protection, in despite of foreign bounties, the Italian produce of raw sugar had risen from 7884 quintals (each = 100 kilos) in 1890-91 to 742,989 quintals in 1901-2, the imports falling in the same period from 854,596 to 251,420. After Italy had joined the Brussels Convention of 1902 those progressions were of course heightened, and, bounty-fed exports being now abandoned by the Northern Powers, the Italian production in 1903-4 rose to 1,308,696 quintals, while the imports fell to 54,770. And prices rose correspondingly. At the end of 1904 the Italian price (including excise tax) was 136 lire per quintal, as against 43 francs at Paris.

Of these fiscal conditions the social result was that, with inferior soft sugar selling at 1 lire 50 c. per kilo, the Italian annual consumption was under 4 kilos, as against 44 in Britain, 27 in Switzerland, 16 in France, and 14 in Germany.[1] And while the people of Italy were thus penalised to support an industry owned by some thirty-three capitalists, employing some 10,000 hands during two or three months of the year, the obviously natural sugar-using industry for Italy was left unattempted. As an Italian free-trader indignantly points out,[2] cold and foggy England employs many thousands of workers all the year round in the business of preserving foreign fruits by means of cheap sugar, while fruitful Italy yearly sees much of her fruit rot on the ground for lack of that accessory. And this is only part of the price paid by a deluded nation for a factitious industry. The protective duties levied by Italy on Bohemian sugar and Hungarian corn drove Austria-Hungary to extended vine-culture, under protection of a heavy import duty levied on Italian wines.[3] Thus, as always, the parasitic industry goes on at the expense of the others, as well as of the consumers in general. It is the mere delusion of pre-scientific instinct to suppose that labour can be driven from the more to the less practicable industry without a payment of costs in the shape of loss or hardship in other directions.

[1] Edoardo Giretti, art. "La Convention de Bruxelles et l'industrie du sucre en Italie," in the *Journal des Economistes*, janv. 15, 1905.
[2] E. Giretti, article last cited. [3] *Id.*

CHAPTER XXIII

THE FINAL FUTILITY OF PROTECTION

IT has already been shown that protectionism, while enabling certain groups or classes to thrive at the expense of a plundered majority, constantly fails to secure the general results which its advocates promise. But it may be well to note concisely wherein and why it thus fails.

1. It invariably injures many more industries than it helps, thus doubly burdening consumers.

2. It fails permanently to increase exports of manufactures. Where such increase occurs, it is due to other causes. The great majority of protected countries expand their export only in food and raw material. Even the United States latterly export nearly thrice as much of food and raw material as of made goods. In the cases of the States and Germany, too, it is quite uncertain how much of the exports is (*a*) payment of interest on foreign investments, or (*b*) export of capital for investment abroad, or (*c*) payment for British shipping work.

3. It does not necessarily prevent increase of imports; it only makes imports dearer. American iron and steel imports rose from £3,375,000 in the fiscal year 1901 to £10,323,000 in 1903. Germany, in 1880, imported for home consumption £141,000,000 worth of articles of all kinds; in 1890, £288,000,000; in 1906, £400,000,000 worth — a much greater increase than had taken place in England. But for these imports Germany paid very disadvantageously, much of the payment being in sugar sold abroad much below the

home price. Dumped iron comes under the same description. Therefore Germany has had less national benefit from increased imports than accrues in Britain. Naturally, therefore, her artisans work much longer hours, for much less wages, and with dearer food, than those of British workmen.

4. Protection wholly fails to prevent such fluctuation in *prices* as is complained of under free trade; and it is not even pretended that it can save traders or producers from (*a*) the common experience of "undercutting"—that is, *home* dumping —by their home competitors, or (*b*) from the effects of a new invention which enables those who first use it to revolutionise a method of production. All the while, as we have seen, it cannot prevent dumping by either free-trading or protectionist rivals.

5. It equally fails to secure steadiness of employment: depressions and disputes are at least as common in Germany and the United States as in Britain, and more common in protected trades than in others. A comparison of the statistics of unemployment in France, Germany, the States, and Britain shows more trouble there than here.

6. When the corn laws were in full force in England, farmers, as we saw,[1] were ruined in great numbers, the only steady gainers being the landlords; and, indeed, even these could not but suffer when farmers became bankrupt. "The periods of scarcity starved the labourers with high prices, and years of plenty ruined the farmers with low prices."[2]

7. When import duties are set up on the plea that "infant industries should be protected," the protected industries are found to be infantine in helplessness after a hundred years.[3] The only great industries open to competition which are known to have ultimately become even temporarily independent of tariffs are (latterly) some of the departments of the iron trade in the United States, which work on immense

[1] Above, p. 75.

[2] Armitage-Smith, *The Free Trade Movement*, 2nd ed. 1903, p. 57. Cp. pp. 58-9.

[3] This is virtually admitted by Professor Ashley, p. 25. The plea in question is the only reasonable one ever made for Protection, and it would be valid if it could be consistently acted on. This, however, it never has been. Protected industries always become forces of political corruption.

natural resources. It has taken more than a century, however, under Protection, for those industries to reach a footing of equality with ours.[1] And still they require Protection as regards metal-work. The German iron trade has prospered by reason not of Protection, but of chemical discoveries by which certain kinds of iron formerly unsuitable for many industrial purposes were made workable.[2] These and other foreign developments have at times depressed the British iron trade, yet under free trade it has always more than recovered.

8. It is the invariable history of Protection that the import duties first asked for are found insufficient to do what was hoped for; and tariffs are raised as far as the sufferers will endure. The protected industry is thus seen to be weakened in point of enterprise from the start.

9. The Protection of one set of industries invariably leads to appeals for similar Protection from others. Thus the protection of manufactures in Canada has actually led to a request (albeit by only a minority of middlemen and politicians) for preference in British markets for the corn raised on some of the richest soil on the planet. They tell, in the United States, how a deputation of fruit-growers once waited on the President to appeal for a protective duty on bananas. "But, gentlemen," he replied in astonishment, "we do not grow bananas. Where would the protection come in?" "It is this way," was the explanation; "we are in the orange trade, and we feel that when a man is filled up with bananas he has no room for oranges." If it be a myth, it is a luminous one.

10. Tariffs notoriously force up opposing tariffs. The tariff wars which ensue are compromised, like other wars, only after enormous loss has been incurred, with no advantage whatever. France, Italy, Switzerland, Germany, and Russia have in late years destroyed untold possibilities of trade in this fashion, and the compromises finally leave the lowered tariffs visibly checking trade still.

Even all this, however, is not the whole of the rebuttal

[1] Cp. Sir Hugh Bell's essay in *British Industries under Free Trade*, p. 275.

[2] See Herr Gothein's paper in the proceedings of the Free Trade Conference, August 1908. Cobden Club.

of protectionism. That policy involves a certain process of compensation which does not meet the eye, and is not allowed for in the ordinary abstract argument on the free trade side. On grounds of observation as well as of common-sense we can all see that a country's imports and exports are the whole of its real trade accounts, extra bullion being no equivalent for goods from the point of view of the general well-being, even if (what is not the case) bullion were imported when goods are excluded. Exchanges must equate. But it is not so easily realised that when a country checks imports by tariffs it is raising the real price it pays for what it does import, and lowering the real price it receives for what it exports.

In one of his alarmist passages, Mr. Balfour, as we have seen, sketches a possible state of things in this country in which, "while large imports are a vital necessity, the exports required to pay for them are not of a kind which other nations —all, by hypothesis, protectionist—are bound to take."[1] Here, as usual, the protectionist assumes that all international trade is by way of direct exchange—that when A imports from B it can pay only by exports direct to B. The facts being quite otherwise, the argument is worthless. But even on the face of it, it is a fallacy. For unless we make the further assumption that the foreign nations are *unanxious to sell*, the danger in question is a chimæra; and if it were otherwise Protection would obviously hasten the harm by prompting the unwillingness. Mr. Balfour, like Mr. Chamberlain, never seems to bring his various arguments into coherence. And while he thus makes our alleged necessity a reason for trying tariffs, Mr. Chamberlain assures his hearers that "when it comes to retaliation, we stand in a better position than any other nation on the face of the earth. *Our market is a necessity to them.* Their market is very desirable, but *they are not a necessity to us.* They have not got colonies behind them. We have, and an Empire."[2]

This in turn is claptrap, and is further in flat opposition to Mr. Balfour's proposition that "large imports are a vital necessity," and that the exports required to pay for them may

[1] *Economic Notes*, pp. 12-13.

[2] Second speech at Leeds on December 17, 1903. *Daily Telegraph* report.

not be of a kind which other [protectionist] nations are obliged to take. These gross contradictions meet us in protectionist propaganda wherever we turn, being, in fact, the random deliverances of men who have never approached to a scientific handling of their problem. In this case both deliverances are fallacious. The needs on the two sides are of the same order; but the truth lies between the two mutually destructive doctrines of the protectionist leaders. The desire to sell is practically permanent; and, this being so, whatever the selling nation may wish as to imports, it must either import freely or get less value for its exports.

A certain measure of choice, of course, it has. Nation A, as we saw, may export to B and receive payment from C, which in turn imports goods from D, which imports from A. Thus India annually exports in all more than she imports, while Britain, which really receives the bulk of that annual drain, exports to India more than she receives thence. The explanation is that India sends to nearly every other country on her trading list more than she receives from it, and their debts to India are paid through Britain, which pockets a profit on the transaction, over and above the Indian "tribute" of dividends and pensions. In the same way, if the American exports to Britain be not balanced by the sum of freight charges, dividends due, and imports, the difference may be met by American imports from India, or Mexico, or Peru, or from any other country in our debt. But in so far as all such imports are protected, the net result is that what is received is over-priced, while what is exported is under-priced.

If, for instance, France puts a heavy tariff on British wares while selling us vegetables and fruit, she tends primarily to make French bills of exchange on London more numerous relatively to British bills of exchange on Paris. The French bills then will tend to sell at a heavy discount, the British at a premium;[1] and the French seller, getting less for his produce, will have to *send more to obtain the same return*, while the British seller *gets his former price for a less export.*

[1] The British exporter, of course, need not draw a bill on France, but may take in payment a French bill on London. For this, in the terms of the case, he will give less goods, which comes to the same thing.

In actual fact, far more bills are always drawn by foreigners on London than by Britons on foreigners;[1] and normally a good bill on London fetches a good price. The reason is that foreign governments and others who have to pay interest to British investors, or freight-costs to British shippers, want such bills as well as do the foreign importers of British goods. But at all times the trade between any nation and the rest of the world is tending to an equation; and any fresh disturbance of that equation (such as an import duty) which temporarily causes a country to owe less nominally than is owed to it, will primarily have the effect of lowering the value of the bills drawn by its traders on the country to which it is seeking to pay less; and the traders of that country accordingly can obtain the bills drawn by the first at a lower rate in goods, or drawn on it at a premium.

In the case put, accordingly, France as a whole will stand to receive less real payment, and Britain will stand to receive more. The British seller is thus so far enabled to "dump" if he will; but whether he does or not, the French buyer is forced by his tariff to pay an extra price; and thus in buying and selling alike the people of the protected country are at a disadvantage. Since, however, the total buying and selling on both sides must equate either directly or mediately (*i.e.* through trade with other nations), the equation is effected through the protected country giving more and receiving less, its *consumers* thus suffering in both directions from relative scarcity = higher cost.[2]

What is more, Protection, by limiting imports, obviously injures the shipping trade of the protected country with at least those maritime countries which buy from it raw material. Inasmuch as it takes back from such countries less in quantity than it sends out, its ships tend to lack return cargoes — *e.g.* those of the United States, whose exports to Europe in any case *bulk* much more than their imports — while the free-trading country has always an

[1] G. Clare, *The A B C of the Foreign Exchanges*, 1893, p. 12.

[2] J. S. Mill has an argument to a contrary effect which will not bear the test of experience. See it discussed above, p. 222.

abundance of return cargo. The ships of the latter, accordingly, tend to drive those of the former from the whole trade, as has actually happened in the competition of British and American shipping; and the protectionist country has finally to pay, by increased exports, for the sea-carriage of the whole goods exchanged, besides losing one great industry in forcing up a number of small ones. Only the stress of the hallucination under which men take exports as the measure of a nation's prosperity could cause such an essentially losing process to pass for the reverse.

We now reach the explanation of the fact that a rise in exports ultimately followed on the McKinley Tariff in the United States — a fact which our tariff propagandists so characteristically fail to comprehend. Mr. Vince, for instance, triumphantly points to the following figures, showing the average annual exportation of manufactured goods from the United States in five years some time before, and the five years after the imposition of the tariff:—

1883-1887	£29,000,000
1896-1900	£66,000,000

These figures are supposed to prove that the McKinley Tariff benefited the United States. It will be seen that Mr. Vince is careful not to cite the years 1887-1890, before the tariff, or 1891-1894, which were the first four years of the tariff's operation. Such devices of omission and commission appear to be normal in protectionist propaganda.

The complete figures would have shown that the total exports had risen from 683 million dollars in 1888 to 872 millions in 1890-91, *without* the tariff; and that in 1890-91 the export of manufactured goods was 168 million dollars, and in 1891-92 only 158 million dollars; though the export of *un*manufactured merchandise rose from 703 to 857 million dollars; and that the total imports fell in the latter year from 844 to 827 millions—the manufactured imports, of course, falling further still. Further, the *total exports* fell from 1015 millions in 1891-92 to 793 millions in 1895-96, failing to recover till 1897; and as we have already seen, the

year 1896 had been thus far "the worst financial year on record" in the United States.

What then happened? This. Importing at first less manufactured material under the McKinley Tariff, the consumers of the States had actually to pay more for the lessened quantity (unless the difference were exports of capital); and the exports for the same reason had to increase, though the real price had in the terms of the case fallen. At the same time, the American shipping trade was freshly injured, and further exports had to go to pay for the services of British shipping. The supplies imported in anticipation of the tariff, however, were soon exhausted; the tariff then wrought its effect of paralysing the industries which preserved in tin cans beef, salmon, fruit, and vegetables, by making tinplate so dear that vast quantities of food had to be allowed to rot on the earth; and other industries dependent on protected manufactures were paralysed in the same way, the whole volume of trade thus falling. When the due bankruptcies had taken place and industry was resumed at lower levels, the exports *had* to rise to make good the exchanges; and the increase which Mr. Vince cites as a triumph is simply the record of a process of paying out American real wealth very much faster than real wealth comes in, and fully as fast as it is obtained from the annual yield of the soil. With an intention the reverse of cosmopolitan, the United States legislature has contrived to share the natural wealth of the land with other peoples to the utmost extent possible. The irony of the situation is complete when their exploit is pointed to as a triumph of self-enrichment, to be emulated by poorer nations.

The sole gain that has accrued so far to the people of the United States is, as aforesaid, some increase in the numbers of artisans employed in the protected trades, and an increase in the number of millionaires, at the cost of the comfort of the great mass of workers and consumers, especially the agricultural population. The case for Protection consists in limiting attention solely to the element of selfish gain, and wholly disregarding the immense amount of hardship to the losers; and thus it is that among our-

selves a large part of the middle class, and of the miscellaneous workers who depend on that class, are led to believe that Protection will help them. In London, the ideal of the average unstudious "city man" is to become a millionaire; and, lacking alike economic knowledge and reflective capacity, he looks simply and solely to the phenomena of capitalism in one or two protected countries which owe their development to great natural resources and to great cultivation of scientific method. He does not realise that the business men of the United States work far harder than those of London, having much longer hours and fewer holidays; and he perhaps would not greatly care if he did realise that the workers of Germany have at once longer hours, lower wages, and dearer food than those of Britain; and that the workers of America, with their higher wages and higher cost of living, are oftener out of work and sooner superannuated than any others. It is for the scientific economist to point out, however, that these things are part of the price of Protection.

In view of all this, it has been argued that it is a positive advantage to a free-trading country as a whole that other countries should be protectionist. It is certainly true that it is *relatively* advantaged by their policy: that is to say, they cripple themselves for competition, and they give it more than they take from it. As Mr. Henry George has argued, and as the statistics have shown us, free trade would have preserved and developed American shipping where Protection has strangled it. Furthermore, under a system of free trade the immense coal and iron resources of the United States would in all likelihood have been developed to the present point a generation ago. In the eighteenth century they already promised a more rapid development than was then taking place in England.[1] It is the stress of home competition that has finally forced them on, and similar pressure would have been supplied by free imports. In that case, it may be argued, this country would have been less prosperous. But such reasoning overlooks the considerations (1) that all Protection checks wealth-creation, and (2) that

[1] See above, p. 59.

all production tends to further international exchange. Thus the forcing of French exports by restraint of imports is less fruitful than would have been their encouragement by increased imports, inasmuch as it is secured at the cost of long hours and pinching for the mass of the workers. Abundance of exchange promotes consumption, which promotes production, and so increases total wealth and well-being. And if American shipping had developed step for step with British, while the latter would indeed have missed "supremacy," other industries must have gained—up to the point, that is, to which the natural resources of the country, under a given system of control, enable it to maintain population.

Protectionists always, and even free-traders sometimes, appear to forget that no country can go on gaining faster in wealth and population than others save in respect of *some* conditions of real advantage. The conditions in favour of Britain during the greater part of the past century have been (1) possession of coal and iron; (2) internal peace; (3) free labour; (4) internal free trade; (5) free or nearly free imports during half the century; (6) a comparatively sound financial system; and last, but not least, efficiency of labour. In so far as other countries possess or attain to all or any of these factors, and in addition agricultural advantages which we do not possess, it is folly to suppose that they will not approximate to our success; and it is a fallacy to suppose that by increasing their wealth they will decrease ours. If, however, they actually gain on us in the exploitation of the kind of resources which have stood us in best stead, it may be that we shall be unable to specialise as much as formerly; and that instead of being in the main a hive of manufacturers, importing our food, we shall ultimately revert largely to food raising, manufacturing and exporting less. That no protective devices could avail to the contrary, theory and history alike prove, as we have seen. And if revived agriculture should raise a healthier and happier population, there would be an advance and not a falling away in well-being. As it is, revived agriculture on a sound basis would advance well-being now; and the final count in the indictment of the Chamberlain policy is that on that side it would

mean not a healthy agricultural revival, but, if anything, mere landlordism, the profit going not to the nation but to the landowners.

On the other hand it remains thus far certain that relatively to most countries we still retain several of our advantages, to wit, (1) abundant coal and sufficient iron; (2) complete internal free trade — as compared with octroi-ridden France, Austria, Italy; (3) free food imports—not enjoyed by Germany, France, or Italy; and it remains to be seen whether we cannot retain the immensely important advantage of specially efficient labour. Before the repeal of the corn laws Cobden pointed out how British labour, man for man, was worth more than any other. The Committee on Machinery, in 1841, he notes,

> reported that labour on the Continent was actually dearer than in England in every branch of industry. Spinners, manufacturers, machine-makers, all agreed that one Englishman on the Continent was worth three native workmen, whether in Germany, France, or Belgium. . . .[1]

Some of this superiority was doubtless due to industrial habit, which other nations can acquire; but if, as there are other reasons for thinking,[2] it is partly due to climate and food, it only needs that the sanitary, fiscal, and educational *dis*advantages under which our populations labour should be cured, in order that they should continue to hold their own in industry and in well-being. Massachusetts, without coal, without cotton, and latterly without corn, continues to maintain a large industrial population in textile work against the competition of the cotton-growing South, which has to work longer hours with its less efficient labour.

As for the argument that coal is irreplaceable capital, and should be saved, it tells, as we have noted, equally against iron exports and against home consumption. Long ago this very argument was forcibly used by Mr. Gladstone against all increase of the National Debt; but no heed is ever paid

[1] Speech of February 24, 1842.

[2] Compare Lord Brassey's *Foreign Work and English Wages*, 1879, ch. viii.; and J. S. Mill, *Principles of Polit. Econ.*, b. i. ch. vii. § 5.

by the protectionist school to *that* side of the question. It heaps up debt as if the nation's special resources were infinite. They are, as a matter of fact, now known to be much larger than they were supposed to be when Jevons wrote his book on the subject.[1] In any case, it is now clearly vain to check output on economical grounds, seeing that the exhaustion of the supply is only a question of time. One day another source of power—for example, the tides—*must* be found if the nation is to continue to manufacture on a large scale. But that issue is a long way off, and is in any case likely to be forced on the United States and Germany as soon as upon us. If a check be inevitable, it matters little whether it comes a generation sooner or later; and a new resource is obviously likelier to be found in a State going at high pressure than in one anxiously and hopelessly hoarding the remnant of its coal supply.

[1] *The Coal Question*, 1865.

PART VI

THE ETHICAL PROBLEM

CHAPTER XXIV

POLITICAL ETHICS UNDER PROTECTION

It is hardly possible to survey the battle-ground as a whole without putting the question, What is the moral significance of the protectionist movement, and what are its moral tendencies? At the moment, its promoters claim to be bent above all things on curing the evil of unemployment. Yet they have passed through periods of far greater unemployment than now subsists without even hinting such a concern, or such a conception of political medicine. Such pleas are meant for popular consumption: they are not to be taken seriously by practical politicians. To generate the motive power of a movement like that of the Tariff Reform League there is required a great combination of forces of self-interest. It cannot be done by philanthropy.

Let it be freely granted that deliberate and intelligent calculation of gain does not alone account for the movement. Our brief survey of the history of protectionist legislation suffices abundantly to show that miscalculation plays as large a part in such matters as calculation can. It is hardly possible to exaggerate the incapacity of men in the mass for scientific thought on a new issue. Traders to-day, as in all

ages, tend to accept spurious solutions of trade problems as uninstructed men in general tend to accept quack medicines and false theories under stress of need and ignorance. Free trade, happily, has won acceptance in Britain by a measure of success so great as to defy almost any attack; but an adhesion grounded solely on palpable success is not of the nature of a scientific conviction. And even business men on the side of free trade show themselves at times capable of a measure of miscalculation which gives grounds for hope to those who put up the patriotic prayer for "two bad winters" as being all that is necessary to secure a triumph for Protection.

Last year the Board of Trade granted to the demand of the shipowners of Britain a reduction of the load-line limit, on the perfectly true plea that foreigners were being allowed to compete with British shipping between British ports without liability to the load-line restriction imposed upon all British vessels, and that British shipowners were thus unjustifiably penalised, though all the while it could be demonstrated that no risk to life would be run by raising the line. So clearly was the case made out that Mr. Balfour's Government had been prepared to make the concession; and the Liberal Government, after due investigation, granted it. There was no valid argument against it. The best possible proof of the absence of new danger to life was supplied by the underwriters, who upon the raising of the load-line made no change in their rates of insurance premium. Something between 750,000 and a million tons of carrying-power were thus added to British shipping by a stroke of the pen; and the shipowners had the solace of being at length put under fair conditions of competition with the foreigner.

What was the result? In the first place, of course, the freight market was upset, freights being at once forced to lower rates. These lower rates the owners hoped to offset by larger returns. But as soon as it was possible to cast up the actual returns it was found by many that instead of economy in carriage there was something like actual loss. What was gained in quantity of cargo was lost in steaming power. The existing ships had been mostly constructed with regard to

the load-line which had just been abrogated; and their greater sailing power under its restriction had really made things even. Now, with the heavier load, the scientific calculation of the shipbuilders was flouted, and the more heavily laden ships often could not make their voyages in the former time. Yet nobody—or nobody able to bring the truth home to the others—had foreseen the possibility; and the result was general chagrin. Nothing had been gained; but freights had been lowered, and shipping and shipbuilding alike had been thrown into temporary depression. The depression will pass away, but the lesson ought not to be forgotten. The just comment is, when a body of comparatively enlightened and enterprising traders can thus unanimously err as to their own interests without raising the question of Protection, it is clear enough that the demands of other bodies of traders for technical Protection against what they call unfair competition will often be founded upon sheer error of judgment. The just comment is, not that traders in the mass are worse reasoners on their own problems than other bodies of men, but that among all orders of men original thinking power is rare. Burke and Smith were helped to sound ideas on trade by enlightened traders, such as had repeatedly contributed to English economic literature. But, as we have seen, traders in general were merely darkeners of counsel on these matters; and honesty of intention, in their case as in others, was no safeguard against gross delusion. Those who are concerned with the furtherance of practical morality have to do more than merely ask what are the intentions or aims of any set of persons who propose to set up far-reaching political changes. They must ask how the changes will react upon morals; and what opening may haply be made by good intentions for bad intentions; what temptation to positive malfeasance may be offered by mere miscalculation. Self-seeking is not immoral; but self-seeking is the matrix of immorality, public and private.

Even error of judgment, not grounded in personal self-seeking, may tell greatly in promoting a false policy. Every war in recent times has served to reveal how the temper of mere national egoism deflects alike political sanity and

political morality; and how national passion can turn normally good men into perverse politicians. It is a significant fact that the three contemporary advocates of tariff reform who rank as experts (of a sort) in political economy—Professors Cunningham, Ashley, and Hewins—are one and all openly swayed by "imperialist" sentiments. If they have any expert qualification, it is as regards some tracing of social causation or sequence in history—a difficult quest, in which they are far from having established scientific conclusions. To the possession of political science in any deeper or wider bearing they have no more claim than many other people. They, in effect, shape their demand for a great political change in terms not of their knowledge but of their primary bias; pleading for protectionism neither as economists nor as sociologists, but as partisans of a primitive ideal which they share with masses of the most uncritical and uninstructed people in the community. Their motive is exactly of the order which we have seen inspiring the navigation laws; and in that connection it is instructive to remember that it was under a complete delusion as to the historic facts, primed again by blind patriotic bias, that Adam Smith gave his often-cited sanction to a procedure which defied all the maxims of his economics.

How such a bias tends to operate in even an instructed mind may be very vividly realised in the case of Mr. Thomas Kirkup. After making the usual attempt to prove stagnation in British trade on the figures of 1872-1902, and after taking it for granted that a protective duty on food will mean stability of employment, Mr. Kirkup concludes with a theorem of imperialistic ethics and politics. Setting out with the assumption of a "struggle for existence" between States, he proceeds to endorse in particular the attempt of Russia to become "a self-sufficing empire," growing her own cotton in Central Asia; and he promptly reached the conclusion that

> we may be assured that the adoption of protection by countries like Germany, France, and Russia, is not a piece of economic eccentricity, as some free-traders believe, but a policy arrived at after careful inquiry and long deliberation by their most competent

men. It is their method of safeguarding the most vital interests of the people.[1]

Here the question is begged all round, with but a semblance of inquiry. The triumph of special interests is certificated as a result of careful deliberation; and the governing class who are now driving the Russian people through convulsion after convulsion, heaping crime upon crime after disaster upon disaster, are accredited with "safeguarding the most vital interests" of the nation they brought to open shame and are now dragooning into delirium. Assuredly "economic eccentricity" is not the name that free-traders will choose to give to the fiscal policy which helps to impoverish Russia, and which within the last few years has raised the cost of living in France and Germany to a point of nearly unbearable strain.

Ostensibly the ideal of a "self-sufficing empire" guides Mr. Kirkup to his fiscal conclusions. That is to say, the "empires" of our day are to head towards a stage, not of international intercourse and mutual benefit, but of the completest possible isolation and reciprocal distrust and defiance. There is no safety, no future, in Mr. Kirkup's conception, for small States.

> As the City State made way for the territorial State or nation, so the nation is now passing into the empire or vast aggregate of States. At present there are only four great political systems in the world—the British Empire; the United States (through the Monroe Doctrine exercising a vague kind of protectorate over the American Continent); the Central European Powers, led by Germany; and the Dual Alliance, consisting of France and Russia. . . . Success in the future will be largely a question of scale.[2]

"Systems," being thus independent of any tariff preference, it is not clear why that question should ever be raised in this connection. If Russia and France can constitute a "system," and Germany, Austria, and Italy another, Britain and her colonies might apparently make up a system without any tariff preferences. But Mr. Kirkup irrelevantly proceeds to find the "broad foundation of the empire" in "community

[1] *Progress and the Fiscal Problem*, p. 185. [2] Work cited, p. 186.

of blood, language and literature, history and institutions, social and political ideals," etc.; adding that all the sections are vitally concerned with "the problem of defence," and that "to all these bonds" should be added "the tie of a closer common interest in the matters of trade."[1] This he propounds with no sign of misgiving over the fact that the British colonies refuse to do what the component States of Germany and the United States have done — abolish inter-State tariffs within the empire. In this course, by implication, he even applauds them. Then, however, it occurs to him — though he evades the plain fact that the colonies *will not* combine with the mother country to bear the burdens of defence—that, after all, the United States are involved in most of the "bonds" before enumerated (which do not exist in the other "systems" he specifies), and that therefore "a system of preferences, once adopted, might in time also assist us in entering into better trade relations with the United States."[2] The prospect of their being alienated by colonial preferences Mr. Kirkup refuses to consider. "The Americans, as a practical people, will be ready to deal with us."[3] Nay, "there can hardly be any doubt" that the Mississippi Valley, with the contiguous regions, "is destined to be the central home of the race, and the American Republic will naturally become the head of the race."[4] That is to say, two "systems" are to set up preferential ties, with or without the concurrence of the states of Central and South America, over which the United States exercise their "vague Protectorate."

Upon this there arises the question whether the Germans, for instance, are not also a practical people, capable of dealing with us; and Mr. Kirkup proceeds to pay some compliments to Germany. Either, then, we are to hope to cultivate preferential relations with Germany or the "systems" are to remain, as Mr. Kirkup apparently conceives them, systems essentially hostile to each other, being engaged in a "struggle for existence" in which the smaller nations are to be crushed or absorbed. It is thus the vainest of declamation to picture, as he further does, the preferential system as one which

[1] Work cited, p. 187. [2] P. 189. [3] P. 190. [4] Pp. 191-2.

"would insure peace over about one-half the land surface, and tend to secure it on all the seas of the globe."[1] The only possible peace, in terms of his own theory, would be one of armed expectation of enormous strife, and when war came it would be a war of all the world, desperately divided into vast "systems" united as such only to contend with each other. The conception thus reached is as monstrous in ethics and politics as it is visionary on the side of economics; and it is a relief to surmise that the writer holds his theory by a tenure of mere sentiment in which its conclusions are never practically contemplated.

It is inconceivable, that is to say, that Mr. Kirkup looks forward to a state of things in which racial union newly generates racial hate, and fiscal policy is expressly turned to the account of dividing more deeply the nations between which differences of language, race, and creed already create distrust deep enough to be a danger to the peace of the world. But whatever be the corrective lights of the instructed men who thus glorify the ideals of the uninstructed, they are inviting and trading upon the co-operation of those who have no higher lights than the old and evil fires of racial animosity and national jealousy. It is a lamentable kind of "empire"-building in which the main cohesive forces are fear and ill-will. In the words of Emerson, "Fear, Craft, and Avarice cannot build a State."

And these moods, be it added, are not favourable to conscientiousness in propaganda. When every allowance is made for well-meaning and sentimental error in the present protectionist movement, it is impossible not to be impressed by the elements of unscrupulousness patent and latent there. On the face of the case we have a propaganda marked by a greater proportion of utterly heedless asseveration than can be indicated in any other political movement of modern times. To bring the matter to a clear issue, I would challenge any opponent to produce anything like a parallel to the spectacle presented by Mr. Chamberlain's polemic, in particular, when confronted by the body of confutation and exposure contained in the Cobden Club's pamphlet, *Fact* versus *Fiction*. I invite

[1] Work cited, p. 193.

any one to make the scrutiny. No statesman of our time has ever been seriously faced by such a detailed confutation and impeachment—such a multitude of clinching disproofs, calling for either explanation or apology. And neither is forthcoming. To put it quite bluntly, Mr. Chamberlain has been met by a score of explicit charges of falsification of fact, ranging from libel[1] to misrepresentation, with chapter and verse. And all the while his coadjutors, making no attempt to clear him, treat the indictment as unimportant. Already they have with one consent lowered the standards of public conduct. The complete right-about-face of a politician might in itself be supposed by scrupulous people to need clear and searching explanation. All men are liable to change of view; but the men who claim to lead the nation should surely give a good reason when they utterly reverse their attitude upon a concrete issue which they have repeatedly argued in detail. In modern political history there is nothing to compare with Mr. Chamberlain's change of front on the question of free trade. Twenty-five years ago he assailed the protectionists of the time with a series of arguments, historical, economic, and political, which directly counter every economic thesis he now maintains. If he was fundamentally wrong then, and has learned to see it, he should have no difficulty in showing wherein and why he formerly erred, and what new knowledge has led him to invert his doctrine. We have not had from him, however, even an attempt to explain the absolute reversal of his opinions; and his backers appear to think such an explanation unnecessary. From a movement thus led and made, what varieties of bad faith are not to be expected? Given bad judgment as a first condition of its existence, and bad faith as a second, no movement can remain on the plane of the first. The blunderers are in the same boat with the plunderers; and the cause soon becomes that of the latter. For the infirmity of the others soon affects their knowledge of their comrades.

There are two sides to protectionist politics—an outside

[1] For instance, his assertion as to the payments by foreign members of the Cobden Club. No substantiation of the statement has been attempted; no withdrawal is made; and his friends seem well pleased.

and an inside. In the United States and in our own protectionist colonies we can study the first and scent the second. They would be a highly endowed set of characters who could play the game of protectionist politics in honest error without having their souls subdued to what they work in. As a game, it is thus described by an intelligent onlooker in the United States :—

> Kentucky wants cheap copper stills for her whisky. She gets even with the Michigan robber by demanding a tariff on hemp. . . . Maine steals on lumber to make up for the Massachusetts roguery on fabrics. Massachusetts hauls for cheap coal; Pennsylvania says no; and so Massachusetts goes out with a 'Home Market Club' (referring to a political association of that name), and knocks down the West and South to rifle them of half their gains on raw cotton. Tennessee, Virginia, and North Carolina, being fleeced all round in clothing, sugar, and what not, go for goobers [1] at a cent a pound. California demands a large reprisal for her lumber, because she is fleeced on salt by New York. . . . Pennsylvania, the Robert Macaire of the lot, steals boldly on all articles, from a plate glass to a locomotive; and to make up for the general loss, the North-West masks herself behind her forests and demands timber reprisals; and so on. Nothing is sacred. . . . Oh, the beauty of reciprocal rascality.[2]

I quote the passage, it will be observed, at second-hand from the work of Mr. B. R. Wise on *Industrial Freedom*, published by the Cobden Club. That very competent treatise bears (misquoted) the motto:

> And, because right is right, to follow right
> Were wisdom in the scorn of consequence;

and the further motto, from John Bright: "War and Tariffs —these are the two great enemies of mankind." And its author, since writing it, has taken political service in a protectionist colonial Government, and figures upon protectionist platforms as a zealous advocate of a tariff policy for this country. All the while he professes to hold to his

[1] Goobers, I understand, are peanuts.

[2] The Hon. Samuel S. Cox, Senator of U.S., cited by B. R. Wise, *Industrial Freedom: a Study in Politics*, 1892, pp. 256-7.

former economic position, justifying his later propaganda by appeals—again we have this significant conjunction—to imperialist sentiment. Holding still that tariffs are among the worst hindrances to human well-being, he demands their adoption in the name of an imperial unity in the realisation of which no practical politician now pretends to believe.

When instructed men thus adjust themselves to political exigencies, the cast and tone of the more popular lines of propaganda can easily be inferred. The old Anti-Corn-Law League collected large sums of money and spent them in propaganda, in the belief that right and reason, properly expounded, must finally triumph. The Tariff Reform League does likewise, in the conviction that an adequate expenditure of money in propaganda can secure the success of any cause that can be made to appear plausible. And part of its justification, in its own eyes, is the actual experience of what can be accomplished in this way. Already it has evolved phenomena of venal journalism formerly unknown (in Britain) in a profession where venality of a kind was never rare.

Perhaps the best way of estimating what the establishment of protectionism would mean in our public morals is to reason from the records of the one trade which has thus far subsisted among us as a monopoly, subject to frequent interference by the legislature. That trade frankly inscribes on its banners the legend, "Our Trade our Politics"; and what it avows might as truly be avowed by every protected interest in every protectionist country. What that trade does and seeks to do would be done or attempted, in alliance with it, by all the others that found themselves similarly placed in regard to parliamentary elections. It claims to win elections; it does win them; and the means of success are undisguised. It is held to be a sufficient defence on the part of its champions to say, "Nobody was arrested for being drunk." That trade has been from the first the zealous ally of protectionism: screaming against those who propose to control it as "robbers," it plays a leading part in a gigantic conspiracy to "rob" the mass of the community for the enrichment of a minority of trades. Already our elections are everywhere affected by that conspiracy; and if once it

succeeded, our politics would be a chronic pandemonium of sordid imposture and corruption, in which the honest and deluded believers in Protection would be helpless partners of a vast syndicate of political brigands.

Those who lightly face such possibilities have by that very levity given the measure at once of their political conscientiousness and of their political insight. Those who have not yet considered the risks will best prove their good faith by facing them. Little as protectionists in general seem to have thought on the most obvious of the problems raised by their propaganda, they have thought still less of the moral problem raised by their whole theory. We may not unprofitably, then, conclude our survey by a study of some of the casuistries of individual protectionists wherein the moral issues are broached.

CHAPTER XXV

THE ETHICS OF THE CORN LAWS

As a proposal to tax imports of foreign wheat stands in the forefront of the present protectionist campaign, it is not unimportant to consider a species of defence of the corn laws which has of late years been put forward in several quarters. Long before he was forced into the tariff movement Mr. Balfour made an attack, apropos of Mr. Morley's *Life of Cobden*, on the claim of the free trade party to have wrought for the public as against the private interest. The essay in question[1] is not of much importance in the literature either of ethics or of politics, being inspired mainly by resentment on Mr. Balfour's part against aspersions on his class and party such as he and many of his class and party habitually make upon others. It has been followed up, however, as regards one of its objects, by a less purely partisan attempt, in Professor J. S. Nicholson's *History of the English Corn Laws*, to vindicate the promoters and defenders of the corn laws against the charge of selfishness.

The fundamental weakness of both performances lies in their entire omission to set up or suggest any definite standard by which the case in hand is to be tried. Both writers, in effect, assert that the landlords of the corn law period are very commonly and confidently charged with acting on grounds of sheer class interest, and that all the while the facts are plainly otherwise. And there an end. If

[1] "Cobden and the Manchester School," in the *Nineteenth Century*, Jan. 1882, rep. in *Essays and Addresses*, 1893.

the hostile view is so confidently held, as is admitted by the defenders, and they are in turn no less confident to the contrary, what is required is a reversion by the latter to principles which may solve the strife. No such reversion do they make. They summarily dispose of a highly contentious case by the application of a psychological method of that extreme simplicity which is apt to characterise the psychology of the cultivators of other sciences.

Some approach to a solution may be made if we at once get outside the field of party polemics, and reduce the issues to an exact form. To this end Mr. Balfour's statement needs revision:—

"It is absurd," he writes, "to ascribe corrupt motives to large bodies of men merely because the economic theories they adopt are in accordance with their own interests. No one doubts the purity of Cobden's motives in promoting the Corn Law agitation. Yet Cobden not only believed that the profits of his ordinary business would be greatly augmented by the changes he advocated, but went out of his way to speculate in town land, on the ground that its value must rise as soon as the tax on bread was abolished. It may be said that the motives of the Protectionists were liable to suspicion because their theories were not only favourable to themselves, but were manifestly false. But at this moment the vast majority of the civilised world advocates false economic theories of precisely the same kind; and of that majority, the great majority imagine those theories to be to their own advantage. The civilised world may possibly be foolish: but not, surely, unscrupulous and hypocritical. Why are the English landlords of 1845 to be described in harsher language than the English manufacturers of 1821, or the French, American, German, Russian, Canadian, and Australian manufacturers of 1881? Their error may be a proof of stupidity, but if it be, the stupidity is too general to excite either surprise or indignation." [1]

Two criticisms must at once be put here. The assumption that "the vast majority of the civilised world *advocate* economic theories" of the protectionist order is quite inadmissible. In no country in the world is protectionism other than a successful combination of *well-organised* interests,

[1] *Essays and Addresses*, 2nd. ed. pp. 200-201.

primarily strong not in sheer numbers but in wealth, against others. Further, if it be granted that in *this* sense "the civilised world *may* be foolish"—one section in submitting to exploitation, and the other in exploiting it on an unsound theory—then there is nothing extravagant in suggesting that organised interests are apt to be both unscrupulous and hypocritical. Does not Mr. Balfour habitually charge those sins upon his own political opponents, and do not the latter as a rule retort the charges? Are both sides romancing? If so, is the romancing scrupulous and sincere?

In the same way much of Mr. Balfour's argument is beside the case, or at least superfluous. Are not mercantile men, he asks, as selfish as landlords when they seek Protection? Of course they are! The easiest and most effective answer to the opponents of the Corn Law of 1815 was urged by William Spence, himself not an owner of land, to the effect that the opposition came from manufacturers "entrenched in monopoly on every side, and ready to set the kingdom in a flame at the slightest intimation of anything like foreign competition with their manufactures."[1] The English manufacturers of 1815 and 1821, and the manufacturers of protectionist countries to-day, *are* to be described in the same terms as are applied to the English landlords of 1845, and the earlier free-traders described them in even stronger words. On nothing is Adam Smith more explicit or more iterative. "The interest of the dealers in any particular branch of trade or manufacture," he insists, "is always in some respects different from, and even opposite to, that of the public";[2] and this scientific pronouncement he follows up with some plainer language. He speaks of "the sophistry of merchants and manufacturers, who are always demanding a monopoly against their countrymen";[3] again of "the interested sophistry of merchants and manufacturers";[4] and yet again of "the mean rapacity, the monopolising spirit, of merchants and manufacturers, who neither are nor ought to be the

[1] *The Objections Against the Corn Bill Refuted*, 1815, in *Tracts on Political Economy*, 1822, p. 197.
[2] *Wealth of Nations*, b. i. ch. xi. *end*. Cp. b. iv. ch. i. p. 10.
[3] B. iv. ch. ii. [4] B. iv. ch. iii.

rulers of mankind."[1] In a well-known passage, too, he affirms that "country gentlemen and farmers are, to their great honour, of all people the least subject to the wretched spirit of monopoly."[2] This is scarcely in keeping with his account, before cited, of the petition of the counties round London against the extension of turnpike roads to the remoter counties. Such a petition must have been substantially the work of country gentlemen and farmers, for whom Smith thus appears to have developed latterly a certain partiality. His leaning to the landowners actually perverts his reasoning as to the effect of corn-export bounties upon land values, for he represents it as retarding their rise, whereas it would obviously raise rents.[3] He even suggests twice over that the chief sticklers for the bounty on corn exports, of which he demonstrates the iniquity and absurdity, are the corn merchants.[4] Yet in the next sentence he goes on to admit that it was "our country gentlemen" who imposed the high duties upon the importation of foreign corn and established the bounty; and he gingerly adds that they "seem to have imitated the conduct of our manufacturers." (In point of fact, the landed and the manufacturing interests had long before joined hands to force the consumption of wool; and restrictions upon the importation of corn, as we have seen, were older still.) Finally, albeit fallaciously, he seeks to show that the conduct of the landlords has been doubly injurious. Let it, then, stand at that: the corn-law landlords acted very much as did the monopolising and rapacious merchants and manufacturers who called for tariffs. Mr. Balfour, it is to be feared, is destined to hear more of such criticism. Our inquiry as to the ethics of the corn laws suggests questions as to the ethics of so-called "Tariff Reform."

A great deal of men's recrimination, doubtless, is vainly passionate, and might well be superseded by a *com*passionate avowal of error. But that is not the tone of Mr. Balfour, or even of Professor Nicholson; and in any case, we can hardly

[1] *Wealth of Nations*, b. iv. ch. iii. [2] B. iv. ch. ii.
[3] Cp. M'Culloch's note, ed. 1839, p. 229.
[4] B. iv. ch. ii. and ch. v.

make an end of ethical discrimination by lumping all human beings as equal in the degree of their self-seeking and their public spirit. This is in effect done by Professor Nicholson in the following passage:—

The supporters of the Corn Laws were no doubt in the wrong in supposing that the country could prosper on the principle of supplying in the main its own food; they were wrong also in thinking that the growth of manufacture meant of necessity a loss of national power and vigour of race; and they were wrong in thinking that any legislation could secure a steady price of corn. But they believed in the justice of the Corn Law just as strongly as their opponents believed in its injustice. The desire was not simply to keep up rents. In 1846 Peel made his eulogy on Cobden: he ascribed to him the success of the measure for repeal, and altogether underrated his own services. The eulogy has been too often quoted to require repetition; but the comment of Gladstone, as revealed in Mr. Morley's *Life*, is too pertinent to the present argument to be omitted. This is it: "All Peel said of Cobden was true, but he did not say the whole truth. And the effect of the whole, as a whole, was therefore untrue. Mr. Cobden has throughout argued the corn question on the principle of holding up the landlords of England to the people as plunderers and knaves for maintaining the Corn Law to save their rents, and as fools because it was not necessary for that purpose. This was passed by, whilst he was praised for sincerity, eloquence, and indefatigable zeal." This amendment by Gladstone of the eulogy of Cobden by Peel is, in my opinion, perfectly just; the landlords were mistaken, but they were as anxious as Cobden himself for the good of the nation at large. They were no doubt interested in keeping up the values of land, but they still believed what was the general belief of the whole country for the two preceding centuries, viz. that rent was the foundation and the measure of economic prosperity. Mr. Morley has told us that Cobden was so sure of a rise in the value of land in Manchester, if the repeal of the Corn Laws were carried, that he bought considerable quantities of land in that city for the rise, and held it up at considerable inconvenience to his business resources. But no one would say that Cobden was interested in the repeal simply because he wished his building land to rise in value. Let the same measure be meted out to the landlords of England.[1]

[1] *The History of the English Corn Laws*, 1904, pp. 162-5.

It is here assumed by Professor Nicholson, perhaps not unnaturally, that the authority of Mr. Gladstone will settle such a question for most free-traders. But the issue cannot be so dismissed. Gladstone, who had been calling Cobden's work "mischievous" almost up to the moment of Repeal, was not in this matter at that moment an impartial judge. He had smarted under Cobden's criticism of the Peel Ministry, and his own line of policy from 1842 to the end of 1845 had been alternately indefensible in principle and futile in practice. With Peel, he contended that time should be given to ascertain whether the tariff reductions of 1842 would not induce other Powers to reciprocate, and Peel had finally to admit that the prolonged attempt to secure such reciprocity was an entire failure. All the while, Gladstone argued, as Peel and others had done before him, that the corn laws constituted a virtual contract between the State and the agricultural interest—a plain sophism, confuted by the repeal or reduction of other import duties in 1842 and earlier, and latterly recognised by Peel to be untenable. Gladstone had, in fact, been heavily committed to the landlord position, and we have his own candid confession that in arguing the question in 1843 he "lost his head."[1] His censure of Cobden is, on the face of it, void, save in so far as he charges him with calling the landlords "plunderers and knaves." Now, Cobden never used the term "knave"; and if he ever spoke of "plundering," he said only what scores of Ministers before and since have said of their opponents. Disraeli's charge against Peel of "plundering" the landed class, and his later historic phrase, "plundering and blundering," are typical. "Robbery" is to-day the current Tory epithet for a Liberal Licensing Bill. Mr. Balfour, who is so sensitive to Cobden's criticism of the Tories of the corn-law period, is to-day wont to accuse his front bench opponents of "insanity" and "dishonesty"; and in one harangue at a party meeting a year or two ago he imputed "corruption" to them so grossly that the matter was formally brought before the Speaker, who, no doubt very judiciously, in effect, dismissed the utterance as a

[1] Morley's *Life of Gladstone*, i. 262.

sample of the kind of platform declamation that nobody should take seriously.

Cobden, it may be replied, meant what he said when he charged the landlord class with selfishness. Quite so; and was he not right? Professor Nicholson's argument on this head will not bear analysis. If the term "selfish" is to have any significance whatever in regard to normal conduct, it must be understood as applying to actions objectively considered, not to the subjective estimate put by men on their own acts. Professor Nicholson is arguing, in effect, that men do not act selfishly when they are not conscious of doing so. Then who is ever selfish? Is it seriously pretended that an action which would be generally pronounced selfish is usually recognised as such by the person who performs it?

If Professor Nicholson's defence be reduced to the simple plea that the action of masses of men seeking what they regard as their own interest is in all cases equally selfish, it will still empty the term of practical meaning. If men or women claiming the suffrage are just as selfish as those who seek to exclude them, though the former are not trying to deprive their antagonists of anything, no oligarchy ever was selfish; and the Brahmans who denied nearly all human rights to *sudras* were open to no moral censure. Professor Nicholson, however, is not merely arguing that the landlords in general were no more selfish than the free-traders: he is arguing that they were not more selfish than Cobden, which amounts practically to saying that all men are exactly equally selfish; and that the landowning Peers who opposed the Corn Law in 1815 were no less selfish than those landlords who carried it. On every line of analysis, then, the thesis of Mr. Balfour and Professor Nicholson ends in emptying the word "selfish" of all significance, and their proposition in itself thus becomes meaningless.

Giving the word its normal and reasonable significance, let us ask what parallel there is between Cobden's speculative purchases of land in Manchester in 1835[1] and the action of landlords who held on to the corn laws by way of keeping up their rents. In that as in other investments, Cobden

[1] Morley's *Life of Cobden*, i. 159.

miscalculated badly; and when the corn laws were repealed he was practically ruined as regarded his private affairs, the ground landlord having alone profited by his dealings in sites. Was his action, then, on a par with that of men who confessedly maintained the protective laws in the belief that upon those laws their incomes depended? Or was it on a par with that of farmers whom Professor Nicholson, by implication, represents[1] as constantly pretending to be in distress while they were "fairly prosperous"? If Cobden had ever supposed that free trade would ruin the landlords, he would indeed be asking other men to accept loss by a measure which he believed would tend to enrich him; and this would be a strictly selfish course. But he expected to see the landlords enriched equally with himself, and this in respect of both town land and agricultural land. In the terms of the case, further, he expected this gain to them and to himself to arise out of the gain of the whole nation. Did the landlord pretend to see popular gain, in any similar sense, in the high price of corn? Did they not expressly argue that a high price of food was a necessary price to pay for class stability?

It may well have been that the landlords, on their part, believed high bread prices to be a condition of high wages. Peel, it seems, long held by this error, and was cured of it only by Cobden's repeated demonstration that low wages went with dear bread, and that high money wages meant cheap = efficient labour.[2] In Peel's case presupposition must have played a part in the error, for the coexistence of high corn prices with low wages for agricultural labour was notorious. But, apart from that consideration, it is obvious enough that the landlords' opinion was in itself part of *their* constant impeachment of the manufacturers—an impeachment which Mr. Balfour and Professor Nicholson alike ignore. Had they forgotten that all along the manufacturers were furiously charged with seeking to sacrifice every national interest, and the very lives of their workers, to their greed of gain? Mr. Morley has preserved the rant of Sir James Graham, vituper-

[1] Above, p. 75.

[2] Morley's *Life of Cobden*, i. 223. Cp. Cobden's speech of Feb. 24, 1842: *Speeches*, ed. 1878, p. 10.

ating the manufacturers as more cruel than the Russians in their handling of the Poles, or than the transporters of coolies from Coromandel to the Mauritius.[1] He has recalled the assertion of the *Times* that there was not a single millowner who would not compound for the destruction of all the manufacturing industry of England, on condition that during that period he should have full work and high profits.[2] And he has cited the rabid speech of Ferrand[3] in the House in 1842, in which Cobden was asserted to have accumulated £500,000 in twelve years, the country gentlemen "shouting with exultation" the while.[4] When this could go on in the House of Commons, speech was still freer outside. Christopher North, a mouthpiece of literate Toryism, wrote of "the mischievous vermin of the Anti-Corn-Law League," and "the systematic and mercenary wickedness of their intentions."[5] Since when has it become the fashion for a set of English partisans, after trading in such invective, to come whining to the public for sympathy because they have been called selfish?

Cobden, in the comparison, struck the note of manliness and masculine sincerity in his express and public avowal in 1843: "I am afraid that most of us entered upon this struggle with the belief that we had some distant class-interest in the question, and that we should carry it by a manifestation of our will in this district, against the will and consent of other portions of the community."[6] The man who could thus confess for his class, associating himself with the confession, though of him it could not hold good, had the right to say what he thought of the action of the landlords, who as a party never attained to a gleam of self-criticism. But to say this is to recall the fact that the charge of selfishness was laid against the landowners in mass by the members of their own order who dissented from the protectionist policy; and that it was not a plebeian, but Lord Byron, who penned the satire[7] in which "rent" was affirmed to be the "being, end,

[1] Morley's *Life of Cobden*, i. 157. [2] *Id.* i. 225.
[3] "With the attitudes of a prize-fighter, and the voice of a bull," by Cobden's account.
[4] *Id.* i. 224. [5] Cited by Trumbull, p. 91.
[6] Speech at Manchester, October 19, 1843: Morley, i. 141.
[7] *The Age of Bronze.*

aim, religion" of the landlord class. Of how many of that class could it be told, as it was of Cobden, that they had set up schools, newsrooms, and libraries for the benefit of the young in their employ?[1] And was Macaulay drawing on his imagination or on his memory when he said: "There was a time when politicians were not ashamed to defend the corn laws merely as contrivances for putting the money of the many into the pockets of the few. We must—so these men reasoned—have a powerful and opulent class of grandees: that we may have such grandees, the rent of land must be kept up; and that the rent of land may be kept up, the price of bread must be kept up."[2]

All things considered, common-sense people will be moved to pronounce that in a contest in which each side accused the other of selfishness, the right lies, as regards that dispute, with the middle-class men, whose demand meant bread for the hungry no less than increased commerce for the nation, as against the upper class, whose demand meant first and last high rents for themselves. That men fighting for their own pockets should suppose their interest to be identical with that of the nation is only too likely: it is precisely thus that the crassest egoism commonly takes shape; but such exhibitions of self-centred ethic are not in other connections held to be certificates of unselfishness. Something may indeed be said for the protectionists on the score of their average incapacity for reflection of any kind. Professor Dicey assures us that "a man's interest gives a bias to his judgment far oftener than it corrupts his heart," and that the "sinister interest" of the English landowner "affects him with stupidity rather than with selfishness."[3] Professor Nicholson, while denying that the champions of the corn laws were knaves—which Cobden did not say they were—in effect grants that they were fools; and Mr. Balfour, on his side, seems finally to say for his party: "Call us stupid, but not selfish." Well, the compromise is alluring, and the matter might very well be so arranged. But would he and his colleagues to-day be really

[1] Morley, i. 226.
[2] Edinburgh speech of Dec. 2, 1845, *Speeches*, ed. 1886, p. 202.
[3] *Lectures on Law and Public Opinion in England*, 1905, pp. 14-15.

content, for themselves and their predecessors, to be called "the stupid party"?

Even if they were, it is to be feared that the admission tells in favour of the resented imputation which we have been discussing. The champions of the old protectionists, in fine, would do well to abandon their plea of indiscrimination for a confession that men long placed in a position of privilege as regards their fellows are by that very fact predisposed to develop a collective egoism, and that the just course is to ascribe such egoism to the conditions and not to the men; that, in short, the manufacturers of Cobden's day, if quite similarly placed, would have acted in a quite similar fashion. Nay, we have Cobden's own indignant judgment[1] on those manufacturers of Yorkshire and Lancashire who supported a policy of force in Asia by way of keeping its markets open for themselves with the rest of the world. Even this last consideration will not relieve them in such a case of the charge of commonplace selfishness—the expression of their sense of power, and willingness to use it in the old barbarian way. On such a ground of criticism we might all agree. But this common-sense determinism does not mean a denial that men vary in selfishness; and it does not mean a consent to class a Cobden with a Ferrand, or even a Peel with a Disraeli.

[1] Letter of 1857: Morley's *Life*, ii. 214.

CHAPTER XXVI

TRADE UNIONISM AND PROTECTION

MUCH play has been made, from the beginning of the present agitation, with the claim that protectionism seeks only to do for the trades it helps what is done by trade unions for their members. As regards the political issue, the dispute might be ended by the answer, Then let producers act for themselves as do trade unionists. The latter make their own arrangements, and ask the State for nothing *as* unions. Whether their policy is scientifically sound is another question, with which in this connection we are not concerned. The relevant consideration is that employers may and do combine for the furtherance of *their* interests as against the pressures of the trade unions; and further, may and do combine voluntarily, or even financially coerce dealers in their own line of business, to raise prices. What the protectionist trader now demands is the intervention of the State to force all his customers to pay him higher prices by taxing or excluding the products of his foreign competitors.

But the trade union, it is urged, is from the start a combination to limit competition as regards wage earning; and the unions in combination stand for "protection" of labour in the matter of factory laws. Some protectionists, in using this plea, argue as if the acceptance of any form of protection, so called, justified the demand for any other. But "protection" is not Protection in the economic sense in which it is discussed in the present controversy. The whole system of police is protective of life and property, and exists for that

purpose. Its end is to secure freedom, not to restrict it. The protection of women and children by means of factory laws, again, is a safeguard of life; and any laws which the State may frame for the limitation of hours of labour have the same object, whatever be their wisdom or their success. A law to limit the hours of work of railway servants is designed to safeguard their lives and health as well as those of all railway passengers. The term free trade, in economics and politics, means free trade in goods, not free trade in life. If even free trade in goods can be shown at any point to involve preventible danger to life and health, the free-trader is in no way precluded by his principles from providing checks and safeguards—as, for example, laws against adulteration, and a system of inspection of food offered for sale. Nobody fights for free trade in diseased meat. Free trade, it cannot be too strongly affirmed, is contended for not as an end in itself but as one of the conditions of "good life" for the community as a whole. If the protectionist could show —as he seeks to show—that good life is better furthered by a policy of tariffs, he would have made out a decisive case against free trade. That he cannot do so in the present contest is the cause of his defeat.

If the restriction of free trade in life were inconsistent with the principle of free exchange, the protectionist need not limit his premiss to the policy of trade unions and the existence of factory laws: he might at once put the prohibition of slavery as an infringement of free trade principles, and demand that those who approve of it should agree to his tariff on imports. The issue would then be clear. And the raising of it would once for all explode the pretence that free trade is a "dogma" or a "shibboleth." By contending that trade unionists who are free-traders are at this point committing a self-contradiction, the protectionist admits that there is no dogma in the matter. Free trade in goods is one thing: free trade in life is another; and it is the former that is signified by the current term in politics; just as "protection" in the same connection means specifically the resort to State intervention to raise the prices of commodities by import duties or bounties, not the attempt to "protect"

workers or consumers against injurious life-conditions or adulterated or poisonous goods or foods.

All that the protectionist criticism proves, in short, is the inability of its framers to distinguish between the ethic of private co-operation and that of State coercion. Traders, like workers, are free to do their best for themselves so long as their action creates no public injury. Even when public suffering is threatened, trusts and syndicates and individuals are thus far free to "corner" products and force up the prices of necessaries in the ordinary way of trade. If they are ever legally restrained from doing so, it will be on the ground that their action is seriously injurious to good life all round. On precisely that principle, strikers are withheld from action which would endanger life for all, such as the stoppage of the lighting or water supply of a city; and if either railway workers or a combination of trades should ever attempt to paralyse all traffic, the State would obviously be justified in employing the military and the police to frustrate their intention. That is to say, the majority of the community, or all the interests apart from that of the strikers, would be justified in using the machinery of the State to "protect" themselves against a sectional combination of a dangerous kind.

But the protectionist, calling himself Tariff Reformer, stands apart from all such grounds of rational ethic. On grounds of spurious moral analogy, false figures, and fallacious economic theory, he demands to be "protected" against the competition of foreign producers in respect of his special product, this even while in some cases expressly proposing (at least for platform purposes) to leave "unprotected" all producers of raw material so called—including material which others define as manufactured—and while knowing that in the nature of things the vast majority of his fellows can receive no such pecuniary gain from Protection as he does, being, on the contrary, forced to make his gain by paying him enhanced prices. His ethical position is thus not the least edifying aspect of his case.

APPENDIX

PROTECTIONIST FABLES

OCCASIONAL notice has been taken in the foregoing pages of the perversions of fact which play so large a part in tariffist propaganda. It is impossible to keep abreast of the output; but it seems expedient to expose some of the more typical fictions. Mr. Chamberlain's special performance has been analysed in the Cobden Club pamphlet *Fact* versus *Fiction*, with a thoroughness to which I can make no pretension; and so far as he is concerned I will here merely reprint some comments penned in 1904. We have seen above (ch. vii.) how he misrepresented Cobden's position as to the effect of our example in free trade upon foreign countries. It was one of a series of perversions.

I

I am aware that in the leaflets of the protectionist party there is this further assertion :—

> On another occasion Mr. Cobden said: "You might as well tell me that the sun will not rise to-morrow as tell me that foreign nations will not adopt free trade in less than ten years from now."

For this quotation *no reference is given*, and until it is established we may safely decline to believe that Cobden ever used any such expression. In his speech of July 4, 1846, he predicted a general evolution of free trade "at no very distant period," but specifies no number of years. At an early stage in his campaign Mr. Chamberlain charged on Cobden that in the Treaty of 1860 with France he set aside his free trade principles. That assertion was as false as the one now under notice, the Treaty having simply

pledged Britain not to impose new import duties during its subsistence.

In the same speech in which he misrepresents Cobden as above, Mr. Chamberlain goes on thus :—

> Mr. Cobden said that the United States of America, if free trade were adopted, would abandon their premature manufactures—(laughter)—that the workmen in their factories would go back to the land—(laughter)—and—now I am quoting his exact words—that they would "dig, delve, and plough"—(laughter and cheers)—for us.

Again he has resorted to gross misrepresentation. What Cobden really said was this :—

> The Atlantic States of America are increasing, and consuming more and more of the corn of their interior ; and *we offer them no inducement* to spread themselves out from the cities—to abandon their premature manufactures—in order to delve, dig, and plough for us ; and they are more and more in a condition to consume all that we produce.[1]

What he was discussing was the actual smallness of the world's surplus of corn in 1845 as compared with 1839 : "There is no such supply available now," he declares ; and he puts the case in regard to Europe as well as to America. Not once does he predict that the Americans will totally abandon manufactures if we freely import their corn : he merely says, what is perfectly true, that such importation would be an inducement to them to employ labour in fresh cultivation rather than in manufactures. And in expressly calling their manufactures "premature" he explicitly excludes the suggestion that they will never be ripe. When therefore Mr. Chamberlain goes on to say that "the Americans have not so conceived their national destiny" as to limit themselves to agriculture, he is fathering on Cobden a view Cobden never held. On the other hand we find Sir Vincent Caillard actually affirming that colonial preferences on our part would *now* induce our colonists in a considerable measure to abandon their manufactures and revert to agriculture.[2]

II

And still the process of fabrication goes on. In the next breath Mr. Chamberlain continues :—

> "What happened when free trade was adopted in this country ? Foreign countries which, as I have said, were backward in those

[1] Speech of June 18, 1845.

[2] *Imperial Fiscal Reform*, 1903, pp. 95-8, 125, 144-50, 162, 169, etc.

days, were not manufacturers. Their governments put on tariffs against our manufactures." Previously he had said: "Under a system of Protection in the years of which I have spoken, before the repeal of the corn laws, we had secured a supremacy in the world's markets."

Again, what are the facts? They have been partly set forth above (pp. 83-5, and ch. x. § 4), but may be further stressed here. It was one of the specific arguments of the free-traders against the corn laws that by putting import duties on corn our Government had actually forced Germany and the United States to put duties on our goods and to develop their own manufactures in self-defence. In the words of Lord Morley: "It was the corn laws which nursed foreign competition into full vitality."[1] Why was it precisely the manufacturing class that above all demanded free trade in Britain? The very reason on which they grounded their agitation, as Cobden repeatedly declared, was their need to extend their trade. Opponents, as Cobden observes in his speech of August 25, 1841, told them that their object "was to reduce wages, so as to enable our manufacturers to compete with foreigners." Cobden answered: "I maintain that we now do compete with them; that we now sell our manufactures in neutral markets in competition with other countries";[2] but he never talks of British "supremacy." What he claimed for British labour in in 1842 was superior *efficiency* to that of the labour of the Continent.

If Mr. Chamberlain had taken the slightest pains to acquire elementary information on the matters on which he undertakes to educate and guide the nation, he would have known that evidence was given before the 1840 Commission on Import Duties to the effect that the protective system was not on the whole beneficial to the protected manufacturers themselves. The whole duties levied to protect manufactures did not amount to £500,000; and even of the few manufacturers supposed to gain, some were quite ready for abolition. The duties on cotton goods yielded only some £8000 or £9000; while raw cotton was burdened (as of old, in the interests of the woollen trade) to the extent of £680,000 of revenue; so that the cotton manufacture, one of the greatest of all, owed absolutely nothing to Protection.

[1] *Life of Cobden*, i. 142. Cp. Armitage-Smith, *The Free Trade Movement*, 2nd ed. p. 63, as to the argument of Bowring that "in Hungary, not being able to sell their corn in England [in 1838], the people are turning their capital to manufacturing their own cloth."

[2] *Speeches*, ed. 1878, p. 3.

As to foreign protectionism, finally, Cobden's speech of December 11, 1844, tells how in the last presidential election in the United States Henry Clay had been run as "the author and father of the protective system in America," and the war-cry of his party was "Protection to native industry." He was beaten; but American protectionism was there all the same. And in a letter[1] from Berlin dated August 5, 1847, Cobden tells how

> the former system of Frederick the Great, which had lasted for upwards of half a century, was one of the most prohibitive in respect to the importation of foreign goods ever enforced. . . . Yet the manufactures of Eastern Prussia continued to decline; whilst in Saxony, Westphalia, and the Rhenish provinces industry grew up and flourished without Protection. At the end of fifty years of the trial of Frederick's system, such was the result. . . . The law of 26th of May 1818 sets forth freedom of commerce as the fundamental principle of the new system of customs.

It was from this system of approximate free trade that the British corn laws had forced Germany to recede in the corn law period.

III

And still the tale is not told. In a passage where, by a slip of the tongue or of the press, Mr. Chamberlain says "Free Trade" where he means "Protection," he goes on to assert, of set purpose, that distress had nothing to do with the repeal of the corn laws. The passage runs:—

> Now, again, let me quote what was said in reference to the period immediately before the repeal of the corn laws. Mr. Mongredien says this:—"*The* adoption of free trade was not the result of pressure from adverse circumstances. This country was flourishing. Trade was prosperous. The revenue showed a surplus. Railways were being constructed with unexampled rapidity. The working classes were fully and remuneratively employed, and bread generally was cheaper than it had been for many years." (Hear, hear). And yet Sir William Harcourt, trusting to his memory, tries to persuade you—to persuade the working classes of this country—that free trade was adopted because of the famine and the starvation which prevailed at that time.[2]

The fatuity of this "correction" is worth setting forth. The passage cited by Mr. Chamberlain from Mr. Mongredien,[3] begins

[1] *Life of Cobden*, i. 448-9.
[2] *Speeches*, popular ed. p. 182.
[3] *History of the Free Trade Movement*, p. 133.

not with the words "*The* adoption," but with "*This* adoption," and explicitly refers to the measure of tariff reform passed by Peel early in 1845, which left the corn laws untouched. And the whole point of the passage is that the previous tariff reductions of 1842 had so visibly promoted commerce that "it was felt that the continuance of the existing prosperity could not be ensured unless our commercial policy were conducted in conformity with scientific principles." That is to say, the trading and non-land-owning class saw the need for free trade. But Mr. Chamberlain makes the passage refer to the *repeal of the corn laws in the following year*; and there it has no bearing whatever.

Sir William Harcourt, "trusting to his memory," was perfectly right. Mr. Mongredien, so far from gainsaying him, tells in the very paragraph following that quoted by Mr. Chamberlain, how the bad weather of the *summer* of 1845 began to raise the question of repeal. And he goes on thus:[1]—

> The state of the weather and the prospect of the wheat crop were now watched with intense anxiety. By the middle of August the price of wheat had risen 5s. per quarter. . . . The impending disaster threatened a relapse into that dearness and scarcity from which England had suffered so much a few years before. But that misfortune sank into comparative insignificance in the face of the far more dreadful calamity which exposed millions of our Irish fellow-subjects to all the horrors of absolute famine [*i.e.* the potato disease]. . . . In the face of this overwhelming calamity any further resistance by Government to the demands of the Free-Traders seemed hopeless. The bad English harvest alone would have sufficed to hasten the approaching repeal of the corn law, but that the repeal must now be near at hand soon became evident.

Assuming that Mr. Chamberlain's misleading of his audience stands for mere heedlessness, what is to be said of his judgment? And if he never heard, or has no recollection, of "the rain that rained away the corn laws," what is to be said of his information, or of his fitness to discuss historical questions?

IV

Many more pages might be filled with exposures of errors and strategies of misrepresentation on the part of Mr. Chamberlain and his coadjutors. Nearly all make habitual use of the dishonest argument from the inflated prices of 1872; all garble the

[1] Work cited, pp. 133-6.

significance of their figures; and not a few publish falsities. As has been shown by Mr. Harold Cox, Mr. Balfour's mere ignorance yields some of the worst of these. But nearly all use figures to conceal truth. Mr. Vince conducts his whole mock-rebuttal of Lord Farrar by the method of constantly lumping together *all* the exports of protectionist countries, saying nothing of the extent to which their increased export consists of food and raw or half-wrought materials.

The more adventurous compiler of the *Daily Telegraph* pamphlet, "Imperial Reciprocity," goes further.

(1) He treats the exports of *capital and army food* to South Africa in 1901-2, and the normal exports to India by which Britain balances India's trade with *foreign countries*, as genuine expansions of purely inter-imperial trade.

(2) He professes (pp. 42, 191) to give the amount of British exports of manufactured articles, including new ships, for 1902, when he is *excluding the exports of machinery*.

(3) In order to make out a more rapid increase of Prussian than of British incomes, he compares (pp. 49, 181-92) the figures of British taxed income for 1891-92 (537 millions) with those for 1900-1 (594 millions); without hinting that in 1894-95 an allowance was for the first time made under Schedule A for "repairs," which lowered that assessment alone by £26,000,000; or that the lower limit of taxable income was raised in 1894-95 from £150 to £160; or that the abatements on higher incomes were increased in 1898-99. If we take the only fair test, a comparison of the gross amount of income brought under revenue review from 1894-95 onwards, we have an increase of £210,000,000 in the period to 1901-2, which is almost exactly double that claimed for Prussia (with a population of 34½ millions) from 1892 to 1900. But even if we take the actually taxed income, we have a British increase of £132,000,000 in seven years as against the Prussian increase of £60,000,000 on incomes over £150 in eight years. This particular juggle may be noted as a typical sample of protectionist propaganda.

(4) Our ingenuous compiler takes (p. 145), as does the *Speakers' Handbook* still, a Swiss statistic, showing that Denmark has the highest sum per head of population in its savings banks, and Britain the lowest, adding that "*the only country, therefore, which possesses free imports* is at the bottom of the list." The facts are (*a*) that Denmark *has free imports of food*, and has prospered in consequence; and that the figures for Britain are not only several

years old, whereas those for 1902 would place Britain above France, but are exclusive of the deposits of building, friendly, and other investing societies (which in 1905 amounted to 178 millions) and of the Government stocks held by depositors in the savings banks. The tariffists give these grossly misleading figures while avowedly of the opinion that they are of little significance. All the while, Holland is not represented in the list at all; Denmark stands 200 per cent above protectionist Germany and the United States; and France, whose population is by habit the most money-saving in the world, stands second from the bottom, no account being taken of its investments in stocks!

(5) When setting forth the increase in British trade with Canada as a ground for imperial reciprocity, the *Telegraph* compiler carefully suppresses the all-important fact that in the period in question the trade of Germany, France, and the United States with Canada increased very much more than that of Britain, our increase being only 49 per cent, that of Germany 70 per cent, that of the States 108 per cent,[1] and that of France 155 per cent. Needless to add, he never asks how much of our increased exports to Canada represent roundabout payment for our imports from the States; any more than he acknowledges the dumping of bounty-favoured Canadian iron in Britain. His whole argument proceeds on the typically ignorant assumption that all our exports to a given country are the sole offset to our imports from that country; and has no idea that we partly pay for our imports from America by exports to India and our own colonies and other countries—exports which otherwise would not take place.

(6) He repeatedly discusses Holland (pp. 88-9, 103) as a protectionist country, whereas, as we have seen, by the admission of Professor Ashley, it is "practically free-trading." As has been shown above, Holland sends us on an average in recent years about £28,000,000, and imports only £8,000,000 from us. Here, then, we have another free-trading country doing a trade with us that is more to our disadvantage, on the protectionist view, than almost any between us and protectionist countries; and the protectionist case is thus once more logically quashed. The explanation is, of course, that in so far as our excess of imports from Holland is not

[1] Professor Ashley, in the same connection, gives the figures for 1901 and 1902 alone, and deducts Canadian imports of bullion and specie from the States, thus showing a higher percentage of increase in the British trade. But unless the bullion and specie can be shown to have been re-exported, it should clearly be classed with other imports.

a payment of interest on British investments, it is commercially balanced by our exports to other countries—a process of which the average protectionist appears to have no idea.

For the rest, the *Telegraph* compiler alleges (p. 87), with all the confidence of ignorance, that Britain "wrested the carrying trade from the Dutch by the most stringent protectionist system ever known—that of the Navigation Laws, which were the original sinews of the Empire." Thus do men write who know history by tradition. The facts as to the gain of Dutch commerce from our Navigation Law have been set forth above (pp. 27-9) in connection with a careless remark of Professor Ashley.

(7) In the simplest matters of statistical statement the *Daily Telegraph* compiler arranges figures so as to convey false impressions. In order to make out an increase of £26,000,000 in manufactured imports from 1890 to 1900, he constructs a table in which the chief item of increase is that of £11,000,000 in "miscellaneous"; and he gives no hint that the increase in cottons, at which he expresses astonishment, is almost wholly in the "unenumerated" kinds of goods—that is to say, not piece goods but foreign specialties, demanded as such. Of the immense increase in home consumption of woollens, and in exports of wool and woollen yarns, as against the decline in exports of some woollen goods, he of course says nothing.

V

Of the later figments of the tariffist propaganda the hardiest, perhaps, is the assertion that Mr. Lloyd-George's Patents Act of 1907, by making a foreigner's tenure of a British patent conditional on his manufacturing the article wholly or partly in this country, has a protectionist effect. Such an assertion justifies the most disrespectful estimate of the economic science of those who make it. The Act in question, by limiting in certain cases the restrictive efficacy of patents, is obviously a *limitation* of Protection. Every patent is specifically a measure in restraint of trade, for the ulterior purpose of encouraging invention. There are many strong arguments against the patents system, which may one day be superseded by a less faulty plan for encouraging invention; but for the present it holds the ground. As it stands, it is actually a provision of Protection, under a time limit, as regards the use of certain machines, names, methods, etc. Such use is prohibited during the period of patent to all save the patentee or such others as he may authorise. The only valid

justification of such prohibition is that it is necessary to induce inventors to persevere in their tasks; and when all civilised countries alike adopt the system, it is plainly unnecessary for any one country to encourage inventors resident in another. It was the habit of regarding all patents as a matter of primordial or "natural" right (which they certainly are not), perhaps aided by the laudable spirit of internationalism, that so long induced us to acquiesce unthinkingly in the concession of patent rights to aliens, whose inventions we might without injustice copy; and but for the reversion of other countries to the strictly business-like view of the problem, the concession would doubtless have been continued.

A revision of the system at this point, however, is more than justified by the consideration that all patents are at best but necessary evils, and therefore, where not clearly necessary, improper restraints upon production. The successful patent-holder is a monopolist, able to extort monopoly prices. By enacting that no alien shall enjoy a British patent unless he manufactures wholly or mainly in Britain, we create a condition which *pro tanto* puts an obstacle to his exercise of the monopoly. If he succumbs to the obstacle we revert, as regards his invention, to free trade conditions, all natives being free to copy it. If, on the other hand, he sets up the manufacture in Britain, he is practically in the position of a British citizen, and any inquisition as to his nationality would be vetoed by good sense.

It has been seriously argued, however, that in respect of the provision under notice the Patents Act of 1907 will lead to *the production in Britain of articles in the production of which Britain is at a natural disadvantage, and which will therefore cost more than when manufactured by the foreign patentee in his own country.* To this astonishing proposition Mr. Bonar Law committed himself in a speech in the House of Commons on the 2nd of June 1908; and the hon. gentleman supported it by the assertion that a German friend of his, who formerly manufactured a patented article in Germany at a low cost, and exported it thence to Britain under the protection of a British patent, is now compelled to manufacture in Britain at a higher cost, and to charge his British customers accordingly a higher price.

If such a case has occurred, it is an instance merely of individual miscalculation, not of an economic law. Whatever price the patentee can now obtain for his article he could have obtained before, irrespective of his costs of production. If he formerly sold

for less than he could have got, he was doing what no trader ever does save by mistake. If he had formerly charged as much as "the trade would bear," he cannot now get more. And if, as Mr. Law alleges, he has in Germany natural advantages in production as well as that of a large home market, he is not under the slightest necessity of manufacturing in England, having no need of his patent in the circumstances alleged. As he can at any moment easily undersell the British producer, he can even charge a price above that at which a British producer could afford to sell, knowing that if a British producer does ever venture into the field he can crush him.

In short, Mr. Law's special theorem is an economic absurdity; while the general thesis of his coadjutors, to the effect that the Patents Act of 1907 is a protective measure, appears to stand for simple incapacity to grasp the problem.

INDEX

Africa, South, export and import trade with, 256
Agriculture, condition of, in eighteenth century, 51 ; condition of, under corn laws, 74-5, 82-3, 177 ; condition of, in United States, under Protection, 273 ; distress of, in seventeenth century, 56 ; affected by smuggling, 62
Anti-Corn-Law League, condemned by Brougham and Roebuck, 94 ; condemned by Gladstone, 95
Ashley, Prof. W. J., on navigation laws, 28-9 ; on trade and agriculture in Holland, 110, 112-13, 114 *n.* ; on exports and imports, 154-5, 245, 246 ; on Protection, 189, 231 ; on condition of working class in Germany, 189-90 ; on cost of living in Germany, 192 ; on consumption of horse-flesh in Germany, 195 ; on bullion delusion, 207 ; on colonial and foreign trade, 212-13 ; on dumping, 229, 230-31, 246 ; on skilled labour, 245 ; on cutlery and hardware trade, 245-6 ; judgment of, swayed by imperialism, 291
Australian tariff, the recent, 258
Austria-Hungary, condition of trade in, 166-7 ; emigration from, 174-5

Balfour, A. J., on free trade, 3, 8, 109, 244 ; contradiction of Mr. Chamberlain's theory by, 111 ; on protectionist policy, 215-17, 279 ; proposals for "tariff reform" by, 250 ; on colonial preference, 259 ; on corn laws, 300
Baring (Lord Ashburton), on steady prices, 73-4
Belgium, trade policy of, 111 ; employment of English in, 131-2 ; expansion of linen trade in (1901-5), 156 ; British trade with, 211-12
Bismarck, establishment of treaty with France by, 103 ; conversion of, to protectionism, 106 ; allowed some free imports, 144
Bohmert, 102
Bounties, on corn, 50 ; on fishing, 52 ; on pitch and tar, 59 ; on sail-cloth, 57 ; on timber, 60 ; on shipping in France and America, 143, 145-6 ; on sugar, 250 ; on Canadian iron exports, 230, 233, 260
Bowley, Prof., on purchasing power of money, 136
Bretigny, treaty of, 15
Bright, John, 95
Brougham, on Anti-Corn-Law League, 94
Bruges, riot of weavers in, 18 ; staple at, 22-3
Brussels, massacre in, 18
Building trade, unemployment in English, 178-9 ; unemployment in, on Continent, 179 ; unemployment in, in United States, 182
Bullion, laws concerning, 14, 30 *sq.* ; delusions concerning, 41, 206-7
Burgundy, Duke of, duties exacted by, 18 ; and trade with England, 34, 36-7

Burleigh, shipping policy of, 25; "fish-day" scheme of, 26
Byng, G., on alleged export of securities, 213, 227; on dumping, 227, 247

Caillard, Sir Vincent, on colonial free trade, 10, 254; on expansion of British trade, 155; on colonial preference, 314
Calais, export of wool to, 36; staple at, 22, 32
Camphausen, 103
Canada, timber from, for British ships, 141; effect of preference in, 257-8; dumping of iron by, 230, 233; effect of Protection on agriculture in, 274
Caprivi, tariff policy of, 220
Chamberlain, Austen, on unemployment, 2
Chamberlain, Joseph, on free trade, 1, 3, 109, 227, 247, 269; on unemployment, 1; on Colonial Preference, 3, 254, 261-2, 265-7; on "lost industries," 272; on retaliation, 279; colonial policy of, 259; inspired by Sir Vincent Caillard, 10, 230 *n.*; misinterpretations by, 91, 313, 314-17; on dumping, 109, 227, 247, 269; on prosperity of Holland, 116; on exports, 154, 241, 244; on expansion of British trade, 155, 244; on wages under Protection, 188, 251; ignores inter-imperial trade, 212; misstatements by, 294-5; change of policy of, 295
Chartists, apathetic to repeal of corn laws, 96
Child, Sir Josiah, on effects of navigation laws, 28
Child-labour, in England, 78, 201; in United States, 201
Clay, H., on Protection in United States, 316
Clearing-House transactions, 158
Cloth, export of, 17; import of, vetoed, 17; distress among workers, 18; excluded from Embden, 39
Coal, export of, 246; fallacy of hoarding supply of, 286-7
Cobden, on free trade policy, 91, 103, 119; prediction of change of tariffs by, 92; debate with Feargus O'Connor, 96; supported by agricultural labourers, 96; on fallacy as to low wages, 97; on efficiency of British labour, 286, 315; attacked by Ferrand, 307; on Protection in Germany, 316
Cobden Treaty, 105
Coke, Roger, cited, 56
Colonial Preference, arguments against, 257; effect of, in Canada, 257-8; Mr. Balfour on, 259
Colonies, proposed preference for, 3, 59, 254; free trade with, 10; Spanish trade with, 60; British trade with, 212-13
Corn, restrictions on export of, in Middle Ages, 15, 16; bounties on, 50; price of, in eighteenth and nineteenth centuries, 72 *sq.*, 118, 121; price of, in relation to death-rate, 121; cultivation of, in Holland, 117; cultivation of, in France, 165; cultivation of, in India, 257; cultivation of, in Canada, 274; Russian export of, 167; proposed preference on, for India and colonies, 261; prices of, in England and Continent, 263; import of foreign, 264
Corn laws, nature of, 50; distress under, 72 *sq.*; effect on agriculture, 74-5, 82-3, 177; Disraeli opposed to removal of, 99; Prof. Nicholson on, 118; defence of, by protectionists, 299, 301; ethics of, 299
"Cortenburg, Laws of," 18
Costs of living. *See* Living, Comparative Cost of
Cotton, distress in trade, 72, 181; growth of American trade, 130; progress of Continental trade, 132; famine in America, 137; exports of (1861-1906), 138; trade of, in Austria-Hungary, 167; trade of, in Italy, 165; trade of, in Norway, 169; trade of, in Spain and Portugal, 170; trade of, in Sweden, 169; wages of spinners in America, 201

Coventry, silk trade in, 128
Cunningham, Dr., on Holland's downfall, 114 *n.*; imperialism of, 291
Cutlery and hardware, condition of trade, 245-6

Daily Telegraph pamphlet, misstatements in, 318-20
Delbrück, 103
Denmark, trade of, 169-70; emigration from, 174-5; savings in, 318
De Quincey, on labour cost, 97
Dicey, Prof., 98, 308
Dietzel, H., on retaliation, 219-20
Disraeli, opposed to removal of corn laws, 99
Dückershoff, on German and British miners, 193
Dumping, in England, 3, 109; apparently an English invention, 100; Chamberlain on, 109, 227, 247, 269; in protectionist countries, 110; Ashley, Prof., on, 229, 230-31, 246; by Belgium, 232; by Britain, 232-3; by Canada, 230, 233; by Germany, 117, 270; by United States, 229, 231; of hops in Britain, 233; advantageous to British industries, 242-3, 247, 269
Duties, medieval customs, 14 *sq.*, 37; import, old fiscal expedients, 14; on silk, 46-7, 82; between England and Ireland, 53 *sq.*; on colonial goods, 58; low, effect of, on Dutch trade, 66; raised under corn law system, 76; German petition against, 101; British, in 1819, 126 *n.*; reduction of, under Huskisson, 127-8; reduction of, under Peel, 94-5, 136, 218, 304; reduction of, under Sydenham, 94, 128; import, force exports, 172; import, Commission on, 315

East India Company, monopolies, 41, 68
Eden Treaty, 122, 124-6
Edward I, trade conditions under, 20; bullion laws under, 30-31
Edward II, restrictions of woollen trade under, 21-2; bullion laws under, 30
Edward III, trade conditions under, 17, 20, 21, 23; export of bullion vetoed by, 31
Edward IV, import of corn forbidden by, 16; protective measures under, 32, 34
Edward VI, import trade under, 25; manufactures under, 39
Elizabeth, trade conditions under, 25; monopolies under, 40-42
Emigration, parliamentary committee on, 82; from various European countries, 163, 174 *sq.*; sometimes result of prosperity, 187
Ethics of Protection, 288 *sq.*; of corn laws, 299 *sq.*
Exchange, theory of, 279, 280-81
Exports, in 1726 and 1760, 29; in 1902 and 1907, 1; of wool, 14, 16, 22, 35, 44, 45, 55, 56, 155; restrictions on, in Middle Ages, 15 *sq.*, 39; of wheat, 16, 50, 51; in hands of foreigners, 17; of fish encouraged, 26-7; of bullion, 30 *sq.*, 207; paid for by imports, 32; prohibited from Ireland, 53, 57; to France, 1782-1792, 123-4; to Germany, 124; prohibition of machinery, 132-3; average British, from 1801-1830, 135; of cotton, yarn, etc., 1861-1906, 138; expansion of, 153 *sq.*; "invisible," 153; "stagnation" of, 154; may represent capital, 212; alleged, of securities, 213, 227; of cutlery and hardware, 245-6; of coal, 246; of iron, 246; of ships, 255; foreign and colonial, 255-6; of tinplates from Wales, 272; equation of, and imports, 280; from Austria-Hungary, 166-7; from Denmark, 169; from France, 164-5; from Greece, 165; from Holland, 115, 116; from Italy, 165-6; from New South Wales, 159, 161; from Norway, 169; from Portugal, 170; from Russia, 167-8; from Spain, 170; from Sweden, 169; from Switzerland, 168; from United States, 181; from Victoria, 159, 161

Factory laws, 311
"Fair Trade," 9, 181
"Fallacy of 1815," 97
Faucher, 102
Fawcett, on results of free trade, 134-5
Ferrand, speech against Cobden, 307
Fishing, bounties on, 51; laws to encourage, 26
Flanders, wool trade with, 16, 17, 18, 24, 44, 218; lace manufacture in, 44, 218
Florence, old trade laws in, 20; wool trade with England, 24
Forwood, on depression in United States, 181
France, wool export forbidden to, 22; Pitt's treaty with, 51, 122; silk trade in, 45-9; revolution in, effect on trade, 72; causes of Protection in, 104-5; and Eden Treaty, 124-5; exports and imports in, from 1782-1792, 123-4; employment of English in, 131-2; shipping in, 143; condition of trade in, 164-5
Free ports, prosperity of, 110
Free trade, Chamberlain, J., on, 1, 3, 109, 227, 247, 269; Balfour, A. J., on, 3, 8, 109, 244; with Ireland, 57; early pleas for, 65 *sq.*; Cobden on, 91-2, 103, 119; effect of war on, 94; conditions of establishment of, 98; movement in Germany, 102; food prices under, 120-21; in German shipping, 144; expansion of exports under, 157; prosperity of Holland under, 109 *sq.*; prosperity of New South Wales under, 160 *sq.*; prosperity of shipping under, 139 *sq.*

Gee, Joshua, on Dutch trade, 113
George, Henry, on Protection in America, 202
Germany, unemployment in, 2, 106, 174 *sq.*; Protection in, 12, 100, 101-3, 175-6, 198 *sq.*, 237-8, 263; gilds in, in Middle Ages, 19; free trade party in, 102, 108; free trade in, 102-3, 144; causes of Protection in, 104; shipping in, 142-4; education in, 172; emigration from, 175-6; hematite iron process in, 175, 277; land system in, 175-7; wages in, 176, 189 *sq.*; unemployment in, 178-9; condition of working classes in, 193-4, 199; cost of living in, 192 *sq.*; consumption of horse flesh in, 194-5; meat famine in, 196-8; labour colonies in, 199; taxed incomes (total) in, 318
Ghent, riots in, 18
Gilds, policy of, 18-19, 68
Gladstone, and corn laws, 95, 304; early opposition to free trade, 97; censure of Cobden by, 304
Glass, monopoly in, 41; duties on, reduced, 128; exports and imports of (recent), 238 *n.*; alleged dumping of, by Germany, 228
Göhre, on condition of German working classes, 193
Gold, discovery of, in America and Australia, 137; mining in Australia, 160
Graham, Sir J., on manufacturers, 307
Grattan's Parliament, 57-8 *n.*

Hamburg, prosperity of, 110
Hardware. *See* Cutlery
Henry VI, trade restrictions under, 31-2, 34
Henry VII, trade conditions under, 24, 32-3
Heydt, 103
Hewins, Prof., on medieval trade policy, 23; imperialism of, 291
Hobson, J. A., on unemployment in United States, 186
Holland, navigation laws against, 27, 112-13; free trade in, 29, 99, 110 *sq.*; outstripped by England, 41; early trade supremacy of, 66, 113; alleged Protection in, 114 *n.*; exports and imports of, from 1872-1906, 115; present prosperity in, 116-17; emigration from, 174 *sq.*; British trade with (1894-98), 211
Hops, dumping of, 233; proposed emergency duty on, 233-4; depression of trade in America, 234

Horn, 36
Hosiery, loss of trade under Protection, 84
Hume, David, economic writings of, 68
Hume, Joseph, defeated on free trade measure, 94
Hunter, Robert, on poverty in America, 184
Huskisson, on silk trade, 48; on Protection, 73; free trade policy of, 79, 99; reduction of tariffs under, 94, 126, 135; modification of navigation laws by, 99, 218; and Macclesfield weavers, 137

Imports, British (recent), 1; under Henry VII, 24; under Edward VI, 25; under Elizabeth, 25; old prohibition of, 35, 39, 48, 54, 73, 76; on customs basis, 37; of cotton, 48; of corn, 50, 51, 73, 74; of cutlery and hardware, 245-6; of food stuffs, 265; of linen, 156; of silk, 46, 47, 48; duty on colonial, 58; trade expansion under free, 135 *sq.*; from France (1782-1792), 123-4; from colonies and abroad, 255-6; from Holland, 211; excess of, over exports, 206-8, 212-13; for re-exportation, 208; in Austria-Hungary, 167; in Denmark, 169; in France, 164-5; in Italy, 166; in New South Wales, 159; in Russia, 167-8; in Sweden, 169
India, poverty of, 211; trade with, 255-7
Intercursus Magnus, 37, 39
Ireland, early trade relations with England, 53 *sq.*
Iron, Protection of American trade, 59; reduction of German duty on, 103; British imports of, from Holland, 116; expansion of export trade in, 157; trade in Austria-Hungary, 166; trade in France, 164; trade in Norway, 170; and coal, cause of German and American industrial expansion, 172-3, 175; unemployment in American trade, 182; trade wages in German mines, 193; dumping of, in Britain, 230-31, 233
Italy, trade laws of, in Middle Ages, 19; trade policy of, 111; shipping in, 142-4; condition of trade in 165-6; effects of Protection in, 165-6; increase of population in, 165; silk industry in, 166; emigration from, 174 *sq.*; sugar manufacture in, 274-5

James I, monopolies under, 40-42
Japan, shipping trade in, 143
Jenkins, Sir J., on tinplate trade, 270

Kirkup, T., acceptance of Protection by, 13, 291, 292; on British export of machinery, 131; on distress under Protection, 134; on "large scale production," 235; on "State systems," 292-3
Knighton, cited, 17, 23

Labour, comparative efficiency of British and foreign, 286
Lace, free trade in, 44
Law, Bonar, on free trade in shipbuilding, 12, 145; on Patents Act, 1907, 321-2
Lee, William, invention of stocking frame by, 42; resort of, to France, 42 *n.*; prohibition of export of his machines, 132
Lethbridge, Sir R., on effects of "Preference," 257
Lette, 102
Linen, development of manufacture of, in Ireland, 56-7; duties on, reduced, 128; trade in France, 129, 156
List, Friedrich, doctrine of Protection, 12, 13; promotes protectionist reaction in Germany, 100; on English industrial evolution, 49, 70; on the Eden Treaty, 124
Living, comparative costs of, in Britain, 139, 192, 194, 200; in France, 139, 203; in Germany, 139, 192 *sq.*; in Italy, 139; in United States; 139, 200-204; in Russia, 139

London, staple at, 22; pauperism in, 184-5
Long, Walter, on unemployment, 2

Macaulay, Lord, on distress in England, 87; on corn laws, 308
M'Donnell, on corn laws, 96
Machinery, British export of, 187; British export prohibited, 132, 133; manufactured abroad, 133; Swiss export of, 168
Marks, Alfred, on smuggling, 63-4
Marvin, on American shipping, 152-3
Mercantilism, 41, 68
Michaelis, 102
Middleburg, staple at, 22
Mill, J. S., on Protection, 104; on corn laws, 119; on retaliation, 221-2
Mongredien, on corn laws, 317
Monopolies, early, 40 *sq.*; in silk manufacture, 46; in Holland, 112
Moritz, Dr. E., on Protection in Germany, 237-8
Morley, on effects of corn laws, 315

Navigation laws, 23 *sq.*; Smith (Adam) on, 27; effect of, on colonial trade, 58; effect of, on foreign trade, 28-9, 112-13; effect of, on Irish trade, 55; effect of, on shipbuilding, 29; modification of, in 1822, 1825, 79, 99, 126
New South Wales, exports and imports of, 159 *sq.*; free trade in, 159 *sq.*; population of, 159; revenue of, 159; gold output of, 160-61
Nicholson, Prof. J. S., on corn laws, 75 *n.*; on corn prices, 118-19; on ethics of corn laws, 303, 305
North, Christopher, on Anti-Corn-Law League, 307
North, Sir Dudley, on free trade, 66
North, S. N. D., on industrial evolution in United States, 236-7
Norway, free trade in shipbuilding in, 145; condition of trade in, 169; emigration in, 174 *sq.*

Owenite movement, 95

Palmerston, Lord, in favour of corn laws, 95
Paris, Peace of, effect on industry, 81
Parnell, Sir H., on Protection, 78
Patents Act, 1907, alleged protectionist effect of, 320
Peel, on state of trade, 90; reduction of tariffs by, 94-5, 136, 218, 304; establishment of free trade by, 218-19; on high wages, 306
Percentage fallacy, the, vi, 144
Petty, Sir W., on Protection, 66
Pickford, 102
Pitt, on free trade, 71; and Eden Treaty, 122, 124-5; tariff under, 126 *n.*
Porter, on prosperity under free trade, 121
Portugal, condition of trade in, 170; emigration from, 174; veto of corn imports in, 169 *n.*
"Poverty line" in England and America, 200
Production, increase of, in free trade countries, 138; on large scale, fallacy as to, 235
Prosperity, how affected by fiscal policy, 7, 121
Protection, alleged benefits of, 3-4, 9-10; Adam Smith's extreme case of, 11; fundamental fallacies of, 11, 12; in Austria-Hungary, 166-7; in Denmark, 169; in England in Middle Ages, 14, 24-6, 29, 33, 34 *sq.*; alleged development of national power under, 41; in France, 164-5; in Germany, 100, 189 *sq.*, 237-8; in Greece, 165; in Ireland, 54 *sq.*; in Italy, 165-6, 274-5; in Norway, 169; in Russia, 167-8; in Sweden, 163; in Spain and Portugal, 170-71; in Switzerland, 168; in United States, 100-101, 284; in Victoria, 160-61; in roads, 43
Protection, effect of, on corn-growing, 50-51; effect of, on cotton trade, 72, 181, 315; effect of, on food prices, 261 *sq.*; effect of, on iron trade in America, 59; effect of, on linen trade, 129; effect of, on shipping, 30, 139 *sq.*, 148, 281-2;

effect of, on silk trade, 43 *sq.*; effect of, on woollen trade, 42 *sq.*; George III and, 61; distress and unemployment under, 71-90, 106, 108, 119 *n.*, 175, 179, 242, 277; agriculture under, 74, 78; agriculture under, in Canada, 274; agriculture under, in United States, 273-4; child labour under, 78, 201; wages under, 78-83, 188; influence on emigration, 106, 163, 180; cause of, in France, 104-5; cause of, in Germany, 105-6; cause of, in United States, 107; alleged British supremacy under, 130 *sq.*; expansion of trade under, 138, 171; failure of, 163 *sq.*, 276 *sq.*; dumping under, 231; delusions of, 206 *sq.*, 249; and revenue, 249 *sq.*; parasitism of, 269 *sq.*; "reciprocal rascality" under, 269; ethics under, 288 *sq.*; and trade unionism, 310 *sq.*; trusts fostered by, 183

Raw material, no definition of, 11; fall in prices of, 155; most frequently dumped, 233; possible import of, 241; various forms of, 243

Rea, Russell, on foreign concerns in England, 237

"Reciprocity," 9, 99; French treaty to establish, 122

Retaliation, 9; movement in Germany, 106; arguments for, 215 *sq.*; inefficacy of, 218-19; Mill on, 221-2

Revenue, effect of smuggling on, 64 *n.*; Mr. Balfour on, 250-51; from customs, 252

Ricardo, on wages and prices, 96 *n.*; J. Chamberlain on, 279

Richard I, veto on corn exports by, 15

Richard II, veto on corn exports by, 15; shipping conditions under, 24

Richard III, wool trade under, 24; protective measures under, 32, 34, 37

Roads, protectionism in, 43, 302

Roman Empire, ruin of, 9

Russia, condition of trade in, 167

Salt, English duty on, in fifteenth century, 18; monopoly of, 40; high prices of in 'forties, 120

Savings banks, deposits in, of various countries, 318-19

Schulze-Delitzsch, 102

Seddon, on payment for imports, 206-7

Senior, Prof., misrepresented by Tariff Reform League, 224

Shipbuilding, free trade in, 12, 144; effect of navigation laws on, 29, 127; preference on Canadian timber for, 141; British increase of, 143; of iron, 147; shrinkage of, in United States, 149; aided by dumping, 243

Shipping, condition of, in Middle Ages, 24-7; effect of Protection on, 30; increase of, from 1821-1844, 127; proportion of sail to steam, 143-4; reduction of load-line limit in British, 289; in France, 142-3; in Holland, 116; in Japan, 142-3; in United States, 140-41, 281-2

Sidgwick, Prof., on protective duties, 224-6; doctrine of, garbled by Tariff Reform League, 224-5

Silk, history of trade, 45; protection of trade, 45; reduction of duties in 1826, 127-8; manufacture of, in France, 165; manufacture of, in Italy, 165; manufacture of, in Switzerland, 168; trade in Spain, 170

"Sisyphist" theory, 42

Smith, Adam, on Protection, 10 *sq.*; on navigation laws, 27; on free trade, 93; imperialism of, 291; on spirit of monopoly, 301-2

Smith, J. Prince, influence in Germany, 101-2; on retaliation, 218

Smuggling, Acts against, 36-7, 63; due to Protection, 60-61, 133; demoralisation caused by, 62 *sq.*; effect of, on agriculture, 62; effect of, on revenue, 64

Spain, decadence of, due to fiscal vice, 6; bullion laws in, 30; colonial trade with, 60; trade condition of, 170; emigration from, 174